FINANCIAL TIMES

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WORLD NEWS

Paris police boost after bomb found

French Premier Jacques Chirac reinforced police security in Paris yesterday after a failed bomb attack on the rapid urban rail transport system.

A passenger discovered the bomb during rush hour on Thursday evening. It was the second such attempt this year and Lebanese terrorists are suspected.

Mr Chirac called an emergency security meeting with police and ministers and urged public co-operation against terrorism. Page 2

Hopes for arms talks

Unconfirmed reports said Moscow would allow inspection of its military activities from neutral aircraft, raising hopes of a breakthrough in security talks in Stockholm.

Kaunda sanction call

Zambian President Kenneth Kaunda said his country could not impose sanctions against South Africa without western support. Victims buried, Back Page; Church role, Page 3

Government reshuffle

Changes in ministerial teams at the Environment and Health and Social Security Departments are likely to be at the heart of the government reshuffle next week. Back Page

Savage delays return

Obstetrician Wendy Savage agreed to delay until next month her return to work at the London Hospital. She was cleared of charges of incompetence but some doctors still do not want her back.

Owen denies tax claim

SDP leader Dr David Owen denied that the party's proposals for income tax and social security benefits would leave most families earning more than £10,000 a year worse off. Page 4

Bhopal damages sought

India's Government filed for unspecified damages in a Bhopal court against Union Carbide over the 1984 gas leak which killed 2,000 people. Page 3

Genscher plea on N-aid

West German Foreign Minister Hans-Dietrich Genscher said the Chernobyl disaster showed that the West should be sharing its nuclear safety technology with the Soviet Union.

Truce in Philippines

Philippines President Corazon Aquino and Moslem secessionists agreed a truce in the south, where about 60,000 people have been killed in 14 years fighting. Page 3

14 die in hotel fire

Fourteen people died and more than 50 were hurt in a fire in a crowded hotel in Kristiansand, south Norway.

Coach crash kills four

Four people died when a coach and a car collided near Insch, north Scotland. All were from the car.

Paper loses claim

The Sunday Sport newspaper, to be launched this month, lost a High Court move to force television companies to accept advertisements for it.

Chess match resumes

Champion Gary Kasparov and Anatoly Karpov resumed their world chess title match in Leningrad with a draw. The first 12 games were held in London; Kasparov leads 7-6.

Rockall-catraz

Tory Action, a right-wing pressure group, urged Home Secretary Douglas Hurd to set up a British equivalent of Devil's Island, an overseas penal settlement to ease the strain on prisons.

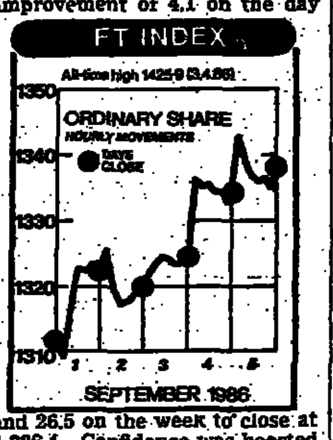
BUSINESS SUMMARY

Telecom prices war looms

MERCURY, the sole competitor to British Telecom's main network, is likely to lower some prices soon in response to reductions by BT. The move could herald a price-cutting war.

It is understood that Mercury, owned by Cable and Wireless, is particularly concerned that price cuts on BT's long-distance routes might have removed Mercury's advantage on its 2,200 service, likely to be used by small businesses. Back Page

LONDON equities completed their fourth successive weekly rise, with the FT Ordinary Share Index showing an improvement of 4.1 on the day and 26.5 on the week to close at 1,338.4. Confidence was boosted by Wall Street's overnight surge Page 13; Lex, Back Page



SHARES in Yorkshire Television, which joined the stock market last week, began trading at 150p — at a premium of 25p above the issue price — and closed at the same level. Back Page

CALIFORNIA repealed the application of unitary taxation to foreign multi-national companies which has strained relations between the US and trading partners. Back Page; Background, Page 4

TRADE and Industry Department officials will next week meet company executives concerned by provisions of the Financial Services Bill. Back Page

D-MARK'S strength put further pressure on the Danish krone which pressed against its ceiling within the European Monetary System before falling back to DKr 3.7824. Money markets, Page 11

WEST GERMANY expects its economic growth to strengthen further after a second quarter rise of 3.5 per cent in the gross national product. Page 2

TUC Congress backed a call for the Government to raise civil research spending and set up a national research and development fund. Page 7

FERMENTA, the Swedish biotechnology group in which Montedison of Italy is negotiating to take a majority stake, said that Procordia of Sweden held an option to raise its holding in the company to 26 per cent. Page 11

INDIAN industrialist Lalit Mohan Tharpar, head of the conglomerate Tharpar Group, was ordered by a New Delhi court to be detained for four days pending an inquiry into alleged foreign currency violations.

GUINNESS: The City is split over the company's boardroom controversy and the outcome of an extraordinary general meeting next Thursday is in doubt. Page 10; Scottish reaction, Page 6

HENRY ANSBACHER merchant bank cast further doubt on the validity of the vote by Extel's shareholders to approve the $40m (£26.7m) acquisition of Dealers Digest of New York. Page 10

HAT Group urged shareholders to reject the "ridiculous" final offer by BET which values the paints and scaffolding concern at nearly £118m. Page 10; Lex, Back Page

FUSILLADE BY GUNMEN AS COMMANDOS FREE PASSENGERS

Hijack deaths at Karachi

By JOHN ELLIOTT IN KARACHI

FOUR Arabic-speaking gunmen opened fire on the 389 people aboard a hijacked Pan American jumbo jet at Karachi Airport last night as Pakistani commandos and security forces moved towards the jet to free the passengers.

More than 50 were taken to hospital, with up to 20 said to have been seriously injured or killed.

Witnesses said lights went out on the aircraft and when security forces, led by army commandos, started moving towards it the hijackers opened fire on the passengers. This was answered by police and commando fire. The hijackers also three hand grenades which apparently failed to detonate.

After the assualt the first group of passengers was taken from the tarmac in a convoy of about 25 ambulances. Half-an-hour later bodies covered in blood, some said to have bullet holes, were still being removed.

At least one of the hijackers was believed to have been killed and another was taken away alive. A police official said many people were dead.

Passengers escaped down chutes. One said: "I literally threw my wife out of the door and a few other people too before I jumped onto the chute."

According to police in Karachi, 44 of the passengers were American. In London, the Foreign Office said 15 Britons were aboard. Most of the others were Indian and Pakistanis.

Passengers who escaped from the airliners said the gunmen started firing after the lights went out.

"They opened fire wildly. Children were crying. The aircraft was a holocaust," a passenger told a reporter.

The outbreak of firing aboard the aircraft coincided with preparations for Pakistan's Special Services Group to mount a commando-style raid to try to free the 389 passengers and cabin staff on board. This raid apparently did not get underway before the shooting started on board, although the hijackers may have seen the preparations.

The hijacker, taken away alive on the back of a truck said his name was Mansoor. He said: "I come from the Palestinian commandos."

US officials said earlier that the spokesman for the four hijackers, who called himself Mustafa, said they were from the Arab Liberation Organisation against Imnerialism. Their motto was: "Not Afraid to Die."

The action started at 10 pm (1700 GMT) one hour before an 11 pm deadline given by the hijackers which they had earlier put back from 7 pm and 9 pm. They said they would blow up the airliner if they were not provided with an Arabic-speaking crew to fly them to Larnaca in Cyprus.

Airport officials said earlier that a replacement air crew, including an Arabic speaker, was being flown to Karachi to remove the aircraft for the hijackers. Unconfirmed reports suggested this crew might be crack US security personnel.

The aircraft was hijacked at 6 am yesterday after it had arrived at Karachi from Bombay and was flying via Frankfurt to New York.

The hijacking took place as 130 passengers were boarding the aircraft. Four hijackers in a van drove out of a cargo area and overpowered the cabin crew. Later they shot one American passenger, who died, because their demands were not immediately being met.

The three-man American flight deck crew had just gone through final checks for take-off when the attack took place. The crew slid to safety down a rope ladder.

The hijackers demanded to be flown to Larnaca, saying they wanted to fre Arab prisoners held in Cypriot prisons. They said they would free women, children and elderly people if their demands were met. Cypriot, Lebanese and Iranian officials said they would try to bar the jet from landing on their soil.

The gunmen, armed with automatic weapons and grenades, originally set a 7 pm deadline for their demands to be met, threatening that they would kill a hostage every 10 minutes.

Earlier this week The Muslim, a leading Pakistani newspaper, published a report that Karachi had been warned of a possible hijacking and that the airport had been put on alert.

The hijackers managed, however, to evade security around the cargo area, about 150 yards from the aircraft. They were dressed in uniforms of Pakistan's airport security force and in the clothes of other airport workers.

He did not expand on this and would also not say whether he thought Pan Am would be prepared to let its Boeing take off for a destination which was closed to the aircraft.

These gaps in the proposed sequence of events increased speculation that a raid was being prepared.

Police yesterday afternoon traced the van used by the hijackers. It had been hired by a Mr Gomer Hussein who arrived in Karachi on August 17 on a Bahrain passport.

Throughout the day airline and US officials maintained contact with the hijack spokesman, Mustafa, through a Saudi Arabian Airways Arabic-speaking employee.

Earlier in the day the US State Department issued an uncompromising statement saying: "We are always willing to talk with anyone or with any group concerning the safety of American citizens and other innocent victims of terrorist incidents," but adding "we will not, however, give in to terrorist demands, nor will we urge third parties to do so."

President Ronald Reagan was kept constantly in touch with developments by his security adviser.

The US aircraft carrier Forrestal left Naples, Italy, yesterday morning. Officials declined to say where the ship was headed.

The hijackers were described as Arabic speakers of Lebanese or Palestinian origin according to official in Karachi. Two Arabs and a Briton are serving life sentences in Cyprus for the murder of three Israelis a year ago.

During the day an obscure Shi'ite Moslem group based in Lebanon calling itself the Jundullah Organisation claimed responsibility in a statement ment issued in Beirut. Earlier an anonymous caller speaking in the name of the "Libyan Revolutionary Cells" had done the same. No demands were made by either group.

The Jundullah Organisation said it had taken action against "a number of US Army officers and Central Intelligence Agency men" aboard the aircraft.

Libya said it had nothing to do with the hijacking. In Harare a Libyan spokesman said that Colonel Muammer Gadaffi, the Libyan leader, "gave a catagorical assurance that neither his Government

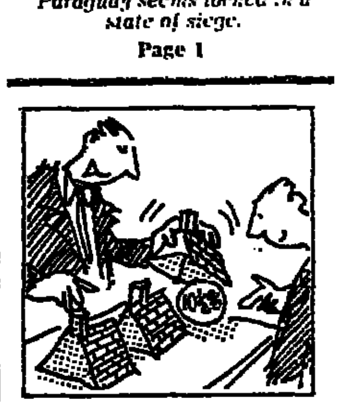
Continued on Back Page
Hijack background, Page 2;
Libya poorer but still loyal Page 9

WEEKEND FT

PARAGUAY

The last of South America's old-style military dictatorships, Paraguay seems locked in a state of siege.

Page I



MORTGAGES

Analysis of a special offer to home-owners by NatWest.

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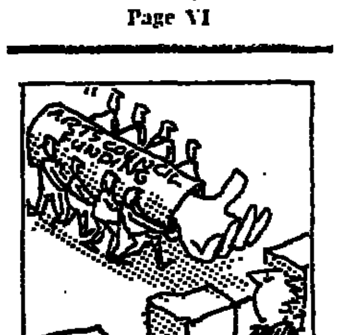
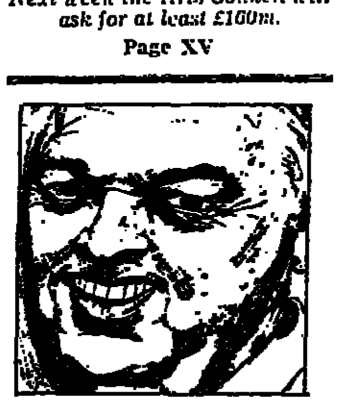


THE ARTS

Next week the Arts Council will ask for at least £160m.

Page XV



SPORT

Count-down to the America's Cup. A report from Fremantle.

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US Treasury calls Japan to trade imbalance talks

BY STEWART FLEMING IN WASHINGTON AND IAN RODGER IN TOKYO

MR JAMES BAKER, US Treasury Secretary, is to have talks in the US this weekend with his Japanese counterpart, Mr Kiichi Miyazawa, Japan's Finance Minister, with Mr Toyoo Gyoten, Deputy Finance Minister for International Affairs, in advance of the International Monetary Fund and World Bank meetings in Washington later this month.

The talks come against a background of increasingly strident warnings from the US that co-ordinated international action is required to try to begin to correct the huge international trade and current account imbalances, in particular the predicted $170bn to $180bn (£113bn to £120bn) US trade deficit.

Officials in Washington said Mr Baker and Mr Miyazawa would probably discuss a wide range of economic issues, with Mr Baker expected again to press Japan to lower its discount rate.

Mr Miyazawa is expected to argue that Japan, in the interests not only of the Japanese but also of the world economy, needs to be assured that efforts will be made to stabilise the yen, the rapid appreciation of which against the dollar has hit Japan's export competitiveness and the profitability of many Japanese companies.

The US would like to cut its own interest rates but fears that any further narrowing of the spread between Japanese and US rates would put fresh pressure on the dollar and jeopardise the vital flow of investment funds to the US from Japan.

In Tokyo, Mr Miyazawa, who flew to San Francisco last night, said Mr Baker had requested the meeting. He said he was not exactly sure of the nature of the talks but suspected they would cover a wide range of problems between the two countries. A senior government official said Mr Miyazawa and Mr Baker would discuss interest rate cuts.

The two may also deal with US demands that Japan ease its restrictions on US bank' activities and on short-term money markets. Washington officials described the meeting as a "get acquainted" session and sought to emphasise the routine nature of the talks.

In the US Administration the strength of feeling about the need for concerted action on trade imbalance by the industrial countries was underlined this week by Mr Clayton Yeutter, US trade representative.

He said that unless the US trade deficit began to improve "something else will have to give in the next few months, either on the exchange rate side or additional demand stimulus on the part of West Germany and Japan.

"Or," he added ominously, "something else."

Mr Yeutter's comments were interpreted by some diplomats in Washington as a warning about the threat of protectionist legislation in Congress.

Already this week the US appears to have begun to move to try to erode protectionist pressures in the steel industry with a request from Mr Yeutter to Canada, Taiwan and Sweden to discuss import curbs.

A Washington-based diplomat said yesterday: "The US has got its back against the wall." The diplomat said the Administration badly needed to achieve a demonstration of international economic policy co-ordination both to improve the outlook for the world economy and to demonstrate ahead of the mid-term congressional election that it was tackling the economic problems posed by the trade deficit.

Money markets, Page 11

Allied to take control of Hiram Walker

BY DAVID GOODHART

ALLIED-LYONS has formally reached agreement with Gulf Canada to take a controlling 51 per cent stake in Hiram Walker, the Canadian Club and Courvoisier Cognac spirits group.

The deal is seen in the City as a "poison pill" designed to ward off a possible new bid from Elders IXL, the Australian brewing, trading and agricultural group, which was given clearance earlier in the week by the Monopolies and Mergers Commission.

Under the agreement with Gulf Canada, which is subject to the approval of both sets of shareholders and the Canadian courts, Allied will pay Gulf Canada £400m but will also take on £466m debt. Allied will finance the deal through extra borrowing, taking its gearing to about 75 per cent, and not with a rights issue as originally envisaged.

Mr Andrew Cummins, Elders' director of strategy, repeated his company's position that if it made a bid for Allied it would probably seek to sell-on the Hiram-Walker stake. He said if the Hiram deal was a "poison pill," it was half the size originally planned. Being financed by debt would be easier for Elders to handle than being financed by equity, he added.

Last April Allied agreed to pay £1.25bn for the whole Hiram Walker wines and spirits division after Elders had lodged its £1.8bn bid for Allied the previous October. That Elders bid was referred to the Monopolies Commission in December.

However, Allied's attempt to take itself out of Elder's reach appeared to be thwarted when Hiram was taken over by Gulf Canada, a subsidiary of Olym-

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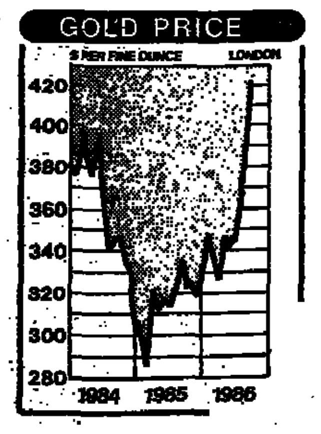
Gold is still falling short of stomping at the Savoy

BY GEORGE GRAHAM

GOLD PRICES continued to climb in London yesterday and reached more than $420 (£280) an ounce—an increase on the week of more than $35.

The London afternoon gold price fixing, involving dealers from the main bullion houses, is usually over in a few minutes. Yesterday, more than an hour passed before a price that satisfied all buyers and sellers was reached.

When the fixing was over, the price of an ounce of gold stood at $420.80—more than $15 higher than the afternoon fix on Thursday.



The surge in prices during recent weeks has brought the gold bugs out of the closet. Gold now stands 33 per cent higher than its 1985 average of $317 an ounce, and 28 per cent above the lowest level this year.

On the measure used by Mr Julian Baring, of brokers James Capel, gold has not caught up with its value in 1914, when one could obtain at the Bank of England gold in return for a pound note.

In 1914, a sovereign—nominally a £1 coin contained a quarter of an ounce of gold—would buy dinner for 3.3 people at the Savoy Hotel in London. Yesterday, a sovereign was worth £67.50 and would buy 3.1 dinners at the Savoy.

"The dinner is almost exactly the same now as it was then. The only difference is that, in 1914, chicken was more expensive than lobster," said Mr Baring.

Against this measure of inflation, gold is still not wildly expensive, Mr Baring feels. The gold price would have to pass $460 an ounce to exceed its 1914 value—unless the Savoy were to put up its prices.

In Switzerland, by tradition the home of the serious gold investor, no one is getting carried away. Mr Heinz Mauerhofer, director of investments at Bank von Ernst in Berne, said yesterday some investors were increasing their gold holdings, perhaps from 5 per cent to 10 per cent of their portfolios, but warned that the gold market's sharp jumps in recent months looked unhealthy.

"The Swiss opinion is a very old opinion and it has been

Continued on Back Page

MARKETS

DOLLAR

New York lunchtime:
DM 2.051
FFr 6.7205
SFr 1.66925
Y155.6
London:
DM 2.047 (2.0295)
FFr 6.7085 (6.6525)
SFr 1.6635 (1.6245)
Y155.35 (154.9)
Dollar index 110.4 (110.0)
Tokyo close Y154.75

US LUNCHTIME RATES

Fed funds 5⅛%
3-month Treasury Bills: yield: 5.37%
Long Bond: 96⅜ yield 7.51%

GOLD

New York: Comex Dec latest $425.0
London: $420.5 (406.5)

STERLING

New York lunchtime $1.4925
London: $1.496 (1.5045)
DM 3.0625 (3.0525)
FFr 10.035 (10.0075)
SFr 2.4875 (2.47)
Y232.5 (233.0)
Sterling index 71.7 (same)

LONDON MONEY

3-month interbank: closing rate 9 11/16% (same)

NORTH SEA OIL

Brent 15-day Sept (Argus) $15.40 ($15.10)

STOCK INDICES

FT Ord 1,338.4 (+4.1)
FT-A All-Share 830.45 (+0.3%)
FT-SE 100 1,684.8 (+4.5)
FT-A long gilt yield index: high coupon 9.66 (9.59)
New York lunchtime: DJ Ind Av 1913.1 (−6.61)
Tokyo: Nikkei 18,775.08 (+215.44)

Chief price changes yesterday, Back Page

CONTINENTAL SELLING PRICES: Austria Sch 20; Belgium BFr 45; Denmark DKr 8; France FFr 6; W Germany DM 2.20; Ireland 60p; Italy L1,800; Malta 30c; Netherlands Fl 2.75; Norway NKr 7.00; Portugal Esc 90; Spain Pta 125; Sweden

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Tense sessions of negotiations with the hijackers

BY JOHN ELLIOTT IN KARACHI

PAN AM's small, light-blue-walled operations office in Karachi airport, furnished with two scruffy wooden desks, and a two-way ground control radio yesterday became the focal point of the drama aimed at rescuing 389 passengers and staff marooned on the hijacked Boeing 747 a few hundred yards away.

On the wall of the office a poster with pictures of bullets and hand grenades said "Do not carry dangerous goods in your baggage on your person."

A Saudi Arabian Airline flight control officer based in Karachi sat behind one of the desks acting as an Arabic interpreter between officials and the four hijackers who were led by a "Palestinian-sounding man" who called himself Mr Mustafa.

Negotiations took place every hour or so for 10 to 15 minutes till just after 6 pm when a long session apparently successfully deferred from 7 pm to 11 pm a threat to blow up the aircraft if they did not have a pilot to fly them to Cyprus.

Two US narcotics agents from the US consulate in Karachi sat with the interpreter and saved what could have been a calamity as tension built up around 5 pm. The interpreter walked into the room and said he was about to tell Mr Mustafa that Cyprus had refused to let the aircraft land. "I don't see what's wrong with that—they can fly somewhere else," said the interpreter, ignoring the fact that the hijackers specifically wanted to go to Cyprus to rescue associates from prison.

"I don't think we should tell them that, don't let's push them," said one of the US officials gently, hiding what he later admitted was something approaching panic. "Why not" repeated the interpreter who then sat back slowly in his chair as realisation of what he had planned to do sank in. Only a few hours earlier the hijackers, in a nervous state, had shot one passenger through the back of the head and bundled him out of the aircraft door when they thought they were getting nowhere. He died later.

Mr Mustafa never coherently identified himself, describing his organisation as Arab Liberation Organisation Imperialism. Officials said he sounded "reasonable, relaxed but dangerous."

The drama had started around 6 am when Pan Am flight 073 from Bombay en route to Frankfurt and New York landed with 282 passengers in transit and started to load another 180. By the time 77 of them were on the airliner, a van screeched from the nearby cargo compound across the runway and four men jumped out, two dressed in security uniforms and two as drivers or porters.

Carrying grenades and machine guns, dropping ammunition from a bag and shooting in the air they ran to the steps, they quickly overpowered the cabin crew. One passenger who was arriving on a bus said he saw a pistol held to an air stewardess's head as the three flight crew escaped down a rope from the cockpit.

Mr Viraf Deroga, the Pan Am local director, tried to establish contact with a loud hailer from the tarmac just as the passenger was shot and thrown out of the aircraft.

At 10 am communications were established through the interpreter in Arabic and Mr Mustafa said they wanted to fly to Larnaka in Cyprus where they wanted to rescue compatriots in prison. "We want our friends there to be free," he said.

Air Marshall Khurshid Anwar Mirza, chairman of the Pakistan Civil Aviation Authority said: "They have said they have nothing against us or anyone else and they say they are sorry they shot a man."

Britain gives US assurances on terrorism

By Robert Mauthner, Diplomatic Correspondent

BRITAIN yesterday informed the US that, if it received conclusive evidence of Libyan involvement in terrorism, the British government would be prepared to take "appropriate additional measures" in co-operation with other nations.

This was made clear by officials after a one-hour meeting in London between Sir Geoffrey Howe, the Foreign Secretary, and General Vernon Walters, President Reagan's special envoy and troubleshooter, who is also the US Ambassador to the United Nations.

Gen Walters, whose eight-nation European tour had previously taken him to Bonn, the Hague, Brussels, Paris, Lisbon, Madrid and Rome, was due to return to Washington yesterday after a stop-over in Ottowa.

Though it was officially stated by both sides that the main purpose of the American envoy's tour had been to discuss with the US's allies the best way to combat international terrorism, particularly in the Mediterranean area, no details were given of the discussions.

However, Gen Walters stressed that he had not made his trip "to make any demands on anybody, but rather to consult." He described his talks in London, as in the other capitals, as "most satisfactory and useful."

It was clear that Sir Geoffrey and Gen Walters discussed the hijacking of a Pan American World Airways jumbo jet in Karachi during their meeting, but Gen Walters said he could not make any comment on the affair, since he had only just heard of it at the time of his discussions.

Nor were any details given by the Foreign Office of the nature of the "additional measures" Britain was prepared to take against Libya if it received conclusive evidence of Tripoli's involvement in terrorism.

The use of British bases by US jets for their raids on Tripoli and Benghazi last April, though strongly supported by Mrs Margaret Thatcher, the British Prime Minister, caused a public outcry in Britain, where Opposition parties have urged the Government to reject any similar US request in the future.

The difficult situation in which Britain would find itself if Washington were to repeat its request to use British bases for such a purpose, appears to have been underlined by Sir Geoffrey. "I think we have a much better understanding of the position of our two countries," Gen Walters said after the talks.

Pan Am defends record

By William Hall in New York

PAN AM, which caused a considerable stir in the aviation industry earlier this year when it began advertising its improved security systems, said yesterday that the Karachi flight crew's decision to abandon the aircraft was a "judgmental decision" and not standard operating procedure.

The airline stressed yesterday that it did not reflect any change in its strategy in dealing with terrorist incidents. "The crew makes the judgment and many times it is not possible to evaluate the aircraft," said a Pan Am official in New York.

Pan Am said that its aircraft had been involved in only two "minor incidents" in recent years and in neither instance had the crew left the aircraft.

The latest hijacking is the first incident since April when Pan Am announced that it was imposing a $5 surcharge on international passengers to cover increased security precautions against terrorists.

The airline took out full-page newspaper advertisements to announce what it described as one of the most far-reaching security programmes in the airline industry.

Pan Am has been hit hard by the drop in international traffic following the spate of terrorist attacks on other airlines earlier this year and said that its research proved that passengers were willing to pay for improved security.

Pan Am said yesterday its improved security measures hed been "quite effective" but there were still airports around the world where it was not able to supplement airport security with its own security staff.

Karachi was one of the airports where this was not possible.

Our Middle East Staff considers which organisations may have been behind yesterday's hijacking

Evidence points to shadowy Shi'ite extremist group

EVIDENCE POINTED clearly last night to extremist Shi'ite elements being responsible for the hijacking of the Pan Am Boeing 747 at Karachi Airport. The coherent statement in the name of "Jundullah Organisation" bore a far greater stamp of authenticity than the anonymous call earlier in the name of the completely unknown "Libyan Revolutionary Cells."

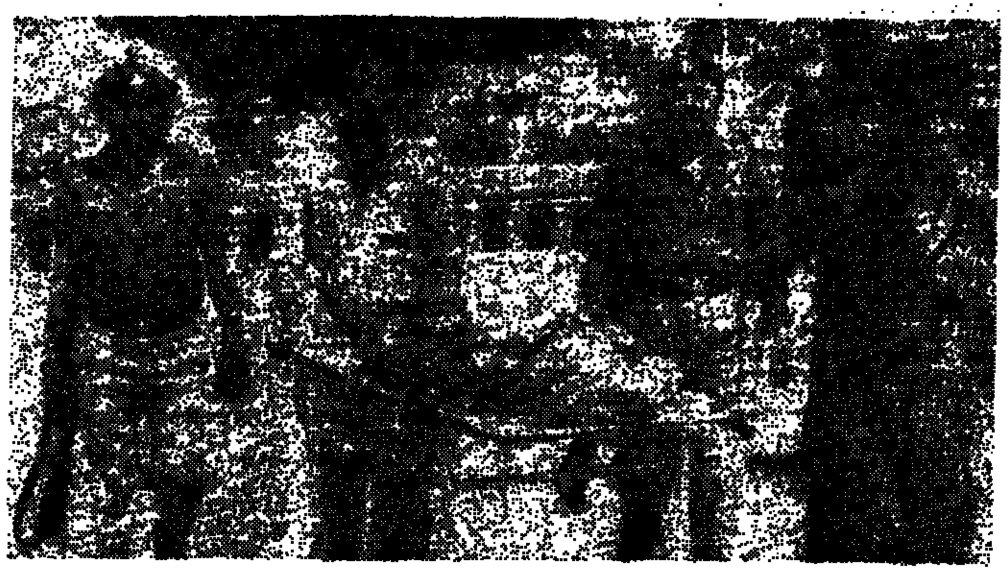
Confusingly, there are two somewhat obscure and shadowy Jundulla Organisations in Lebanon—one believed to be connected with Hizbollah ("the Party of God"), the extremist Shi'ite group with strong Iranian connections, and the other based in Tripoli, Libya, which is related to the Islamic Unification Movement, a Sunni Moslem body.

The anti-American rhetoric in the statement and the reference to "the Great Satan" makes it certain that it would be the former.

Moreover, the coherence of the text issued to news agencies in Beirut in contrast to the anonymous caller speaking on behalf of the "Libyan Revolutionary Cells" must make the Shi'ite Jundella the more likely group responsible.

It said it had taken the action against "a number of US army officers and Central Intelligence Agency men" aboard the Pan Am aircraft. The message, delivered to the Beirut daily An Nahar, said the hijacking was carried out by the "Martyr Zulfikar Ali Bhutto squad." Mr Bhutto, a former Prime Minister of Pakistan, was executed in 1979, two years after being overthrown in a military coup.

It made no specific demands. But according to officials in Karachi, the hijackers had demanded the release of Arabs held in Cyprus. They asked to be flown to the East Mediterranean tourist island which has often found itself recently at the crossroads of Middle East terror.



Police escort the body of a pasenger killed in the seizure of a Pan Am airliner at Karachi Airport with 400 people aboard yesterday.

If such a demand was made it adds further confusion to the picture. The three men sentenced for the murder of three Israelis at Larnaca harbour almost a year ago — the justification for Israel's raid on the Palestine Liberation Organisation's Tunis headquarters last October — were from the mainstream PLO. Their cause would not be of prime interest to Shi'ite fanatics. They would be far more likely to demand the freedom of the 17 men held in Kuwait for bombs which exploded in December 1984. Their freedom was one ofthe main objectives of the hijackers of a TWA airliner on a flight from Athens to Rome in June 1985 and its diversion to Beirut.

Mr Jagdish Tytler, the Indian Civil Aviation Minister, told reporters in New Delhi that the Karachi hijackers were either of Libyan or Palestian origin.

Cypriot officials say they are holding four prisoners for terrorist-related offences, three of whom are serving life sentences for killing the three Israelis in Larnaca last year.

The fourth man, a Lebanese believed to have links with the extremist Shi'ite group Hizbollah, is awaiting trial after being found in possession of grenades, a pistol and a silencer in Larnaca on August 14.

Those convicted of mudering the Israelis include Syrian and Jordanian passport-holders, and a Briton who had joined the PLO. The three were allegedly members of Force-17, a guerrilla group directed by the military wing of Mr Yassir Arafat's mainstream Fatah faction of the PLO.

The PLO denied responsibility for the Larnaca killings a year ago, but Israel ignored these denials and attacked Mr Arafat's headquarters in Tunis on October 1, thereby unleashing a rash of Middle East related violence that continued until the US April 15 bombing raid against Tripoli and Benghazi.

In Tehran, the official Iranian news agency, Irna, quoted the Foreign Ministry as saying the airliner would not be allowed to enter Iran's airspace or land at any of its airports.

In Beirut, about 200 troops of Lebanon's mainly Shi'ite Sixth Brigade, backed by Syrian observers, were ready to block any attempt to land the aircraft there, according to a Reuters despatch.

Official sources said Lebanese authorities had decided in principle to ban the airliner from attempting any landing in Beirut, scene of several hijackings during 11 years of civil war.

The most recent serious terrorist incident in Cyprus was an attack on the British base at Akritiri. No arrests have yet been made. An anonymous group, thought to be pro-Libyan, claimed responsiilibty for the Akritiri assault on a crowded beach used by British servicemen and their families. Gunmen unleashed rockets and mortars towards the beach, but no one was seriously hurt.

It has been relatively quiet in the Middle East since the US bombing of Libya. It would be uncharacteristic, however, for Libya and its allies among radical groups in the region to ignore the humiliation suffered at the hands of the Americans.

Washington last month accused Libya of planning fresh terrorist attacks against American facilities and personnel. It warned the Libyan leader, Col Muammer Gadaffi, of further military action if such incidents materialised.

Col Gadaffi, who emerged last week from a period of seclusion since the raid, has vowed to confront American threats to his regime. He told the non-aligned movement conference in Harare this week of plans for an "international army" to fight the US.

The Pan Am hijacking is certain to add to tension in the Mediterranean at a time when American naval forces are deployed in strength in the region.

Three years of terrorist attacks and retaliation

LIBYA HAS become the main scapegoat in the US's campaign against terrorism. Yet all the attacks against the US's interests or those of Israel listed below were carried out by extremist Shi'ite or Palestine factions. Mainstream elements of the PLO were responsible for the hijacking of the Achille Lauro. Major related terrorist incidents and retaliations over the past three years include:

1983. October 23: Suicide truck bombs in Beirut kill 239 US Marines and 58 French soldiers.

December 12: Six bombs in Kuwait, including one each at US and French embassies, kill four and injure at least 350.

1984. September 20: Suicide truck bomb in Beirut at US embassy kills 14.

1985. February 3: Bomb injures 79 outside Athens near US air base.

April 12. Bomb kills 18, injures 82 in restaurant near Cadiz popular with US airmen.

June 1: Hijacking of TWA 727 on flight from Athens to Rome. One US serviceman killed.

September 25: Palestinian gunmen kill three Israelis on yacht at Larnaca, Cyprus.

October 1: Israeli Air Force bombs PLO headquarters in Tunis.

October 7: Achille Lauro cruise liner hijacked by Palestinians.

November 23: Egyptair Boeing 737 hijacked on flight from Athens to Cairo. Sixty killed including three terrorists.

December 27: Palestinians attack El Al check-in desks at Rome and Vienna airports, killing 19 and injuring over a hundred.

1986 April 5: Explosion in West Berlin discotheque frequented by American troops kills one US serviceman and a woman.

April 14: Attempt to plant a bomb on an El Al Airliner at Heathrow Airport.

April 15: US air strikes against targets in Tripoli and Benghazi.

August 3: Attack on British air base at Akotiri, Cyprus.

Chirac boosts Paris security after bomb find

BY PAUL BETTS IN PARIS

MR JACQUES CHIRAC, the French Prime Minister, reinforced police security in Paris yesterday and appealed for public co-operation with police forces to combat terrorism after a failed but potentially devastating bomb attack on the capital's rapid urban rail transport system.

A passenger on the rapid urban transit system discovered the bomb during rush hour on Thursday evening. Had it exploded, it could have provoked a major tragedy. It is the second time this year that terrorists have planted a bomb in the Paris underground system. Explosives were also found by an alert passenger just in time at rush hour last March.

Mr Chirac immediately called an emergency security meeting of police officials and ministers and dispatched additional police and security reinforcements in key sectors of the French capital.

Although no terrorist group has claimed responsibility for the failed bomb attack on the rapid transport system, security forces suspect Lebanese terrorists belonging to a so-called solidarity committee of Arab political prisoners.

This committee has claimed responsibility for several recent terrorist attacks in Paris and has been pressing the Government to release Mr Abdallah Ibrahim, arrested in 1984 in France and suspected to be the leader of the Lebanese terrorist group known as the Fraction Armées Revolutionnaires Libanaises (FARL).

Mr Ibrahim was sentenced to four years imprisonment by a French court last July. This led to a controversy between the French Government and the US which had been seeking harsher sanctions against the suspected terrorist whom Washington believes was behind the killing of the US deputy military attaché in Paris in 1982.

Washington's hard line on the Arab terrorists, supported by President Francois Mitterrand, has made Mr Chirac's task of finding a solution to both domestic terrorist threats and the release of the French hostages still held in the Lebanon even more complex.

Mr Chirac is also coming under increasing pressure from his own right-wing coalition to withdraw from Lebanon the large French contingent in the UN peacekeeping force in Lebanon. This follows the death in a bomb attack on Thursday of three members of the 1,500-strong French contingent in southern Lebanon.

Both the French involvement in Lebanon and the related question of the French hostages, as well as the rise in terorism and insecurity in recent years in France have become major popular domestic political issues.

Indeed, Mr Chirac has made the fight against terrorism and the search for solutions to France's specific problems in the Middle East a priority of his government alongside the denationalisation and liberalisation of the French economy.

W German GNP rises by 3.5%

By Jonathan Carr in Frankfurt

THE WEST GERMAN government says it expects economic growth to pick up further this year and next, after a second quarter surge buoyed by investment and consumer spending.

It was commenting on figures released yesterday showing a second quarter GNP, in real terms and seasonally adjusted, rose by 3.5 per cent against the first quarter result.

Compared with the period April-June 1985, second quarter GNP was up in real terms by 3.3 per cent. Key reasons were a surge of 10.8 per cent in corporate investment and a rise of 4.8 per cent in consumer spending.

The results showed that the economy had now made the difficult transition from growth fuelled largely by exports to growth induced by domestic demand, the government said. It also stressed that the number of people employed had increased over the last year by 266,000 (although the jobless total remains well over 2m).

The figures released yesterday by the federal statistical office in Wiesbaden are a more detailed version of those already announced, and welcomed, by the economics ministry a month ago.

But with a general election looming in January, the government has a strong domestic reason for underlining that the economy is now performing strongly after a poor first quarter.

The figures also help Bonn bolster its defence in public against pressures from abroad — notably the US — for renewed West German action to boost economic growth and suck in more imports.

The government noted yesterday that while exports in real terms grew by just 2 per cent in the second quarter, imports were up by 8.1 per cent.

Despite these comments, the latest announcement involves no new factor for the Bundesbank as it ponders whether to cut its discount rate from the current level of 3.5 per cent—as the US and now France in particular are

Nigeria leads bid to exclude S Africa from Gatt round

BY DIANA SMITH IN LISBON

A DISCREET but determined move by a group of African nations to have South Africa excluded from the new round of world trade negotiations in the General Agreement on Tariffs and Trade (Gatt) came to light yesterday at a meeting of senior trade officials from the EEC, US, Japan and Canada.

The protest move against South Africa, a long-standing Gatt signatory, is being led by Nigeria, with the support of Egypt, Zimbabwe, Gabon, Tanzania and the Cameroon.

But it is likely to be resisted by the major trading nations. US and EEC officials said privately that the Gatt is the wrong forum for any debate about sanctions and South Africa, and they would not go along with attempts to force the issue.

The new round of negotiations in the Gatt is due to be launched by ministers the week after next in Punta del Este, Uruguay. Officials of the four big trading powers are meeting in Portugal to define their position on the agenda.

The suggestion of barring S. Africa if sanctions are imposed in protest at its apartheid policies, was first tentatively raised in Geneva at the conclusion of the work of the Gatt preparatory committee.

Nigeria, with the backing of the other five African countries, presented a carefully worded statement to the effect that if a decision were made to impose international sanctions on a "contracting party" (which was not specifically named as South Africa), it should be assumed that the party would not be able to take part in the next Gatt round.

The Nigerian statement urged the Gatt's 92 member nations to support any decision to impose sanctions, and to implement measures in accordance with the provisions of Article 35 of the Gatt.

But there are technical obstacles to forcing the South African issue, according to one trade expert yesterday. Article 35 says that it is possible when a new contracting party accedes to the Gatt for other parties to the Gatt concessions to it. This does not appear to cover South Africa's case.

It is also difficult to deprive a Gatt member of its rights on political grounds. Ironically, Nigeria and Tanzania are among the countries who have tabled a motion for the Uruguay meeting that "contracting parties should abstain from taking retaliatory measures for reasons of a non-economic character."

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There are no signs yet of identifiable support for the Nigerian suggestion beyond the five original backers. But officials from the industrialised nations are listening with particular care for the outcome of the non-aligned conference in Harare. It is possible that the conference might produce a stronger groundswell in favour of debate of the South African issue on the fringe of the September 15 launch in Uruguay.

Meanwhile the officials in their first of three low-key meetings in Sintra near Lisbon, reviewed yesterday the new issues—patent protection and royalties, high technology exports, services exports and trade relation investment—that they see as important for inclusion in the Gatt round.

US jobless rate falls to 6.8% in August

The unemployment rate in the US fell for a third successive month during August to 6.8 per cent, its lowest level since January, the government said yesterday, *Reuter reports from Washington.*

Most analysts had predicted a moderate rise in unemployment rather than a decline from July's 6.9 per cent rate because of weakness in new manufacturing orders.

Unemployment and consumer prices have been bright spots in a gloomy US economic picture this year. The inflation rate has actually declined at a 0.2 per cent annual rate for the first seven months of 1986.

Unemployment among American civilian workers is now at its lowest rate since last January, when 6.7 per cent were out of work.

The statistics, issued by the Labour Department, said the number of jobs rose by 202,000 to 100.3m in August after increasing by 279,000 in July.

The favourable report comes after a burst of investor exuberance yesterday drove the Dow Jones Industrial Average 38.38 points higher to a record 1,919.71.

Economist Ward McCarthy of Merrill Lynch brokerage firm said only limited comfort could be taken from reduced unemployment. "It's an uneven economy with pockets of strength and a still-weak manufacturing sector," he said. "The trade situation continues to hurt the heartland."

Party launched by rebel Basque group

BY DAVID WHITE IN MADRID

THE LAUNCHING of a new political formation by rebel members of the Basque Nationalist Party (PNV) promises to rock more than one other boat in the Spanish Basque country over the next few weeks.

The future of the present government in the region, co-operation between Madrid and regional authorities, and the balance between moderate and radical forces all stand to be affected.

Although against the Basque government's stated intentions, the odds on a snap election appear to be increasing daily.

The new party was launched at a meeting in Victoria, the Basque capital, on Thursday, with the provisional name Eusko Abertzaleak-Nacionalistas Vascas (Basque Nationalists, in both the Basque and Spanish languages).

For the moment, it is a boat still waiting for its captain, as its backers look to Mr Carlos Garaikoetxea, former head of the Basque government, to take the helm.

Mr Garaikoetxea, who resigned early last year amid bitter party in-fighting, has a big advantage in charisma over the man who succeeded him, Mr Jose Antonio Ardanza. His presence is crucial to the potential impact of a new non-violent nationalist movement.

The ostensible aim of the new party is to make space for itself between the PNV and Herri Batasuna (Popular Unity), the Separatist Coalition linked to the ETA terrorist organisation. It accuses the PNV of forgetting its nationalist aims.

While the PNV holds on to an old structure built around the traditional rights of individual provinces, the splinter group is for a strong centralised government in the region.

In recent statements, Mr Garaikoetxea has evoked Basque ideals of nationhood, including the eventual integration of the current three-province region not only with Navarre but also with the three ancient provinces which now form part of the French Department of Pyrenees-Atlantiques — a claim which goes beyond even ETA's current political demands.

The emergence of the new party undermines a delicate balance in the regional parliament, where a boycott by Herri Batasuna reduces the effective number of seats from 75 to 64.

Brazil debt restructuring agreement goes ahead

BY PETER MONTAGNON, EUROMARKETS CORRESPONDENT

BRAZIL'S latest $31bn debt restructuring agreement became effective yesterday after being endorsed by more than 95 per cent of its 750 creditor banks worldwide.

The 95 per cent target was reached just in time to prevent the lapse of a clause in the agreement promising a retroactive cut in interest charges worth more than $200m to Brazil.

With the Brazilian restructuring now out of the way, creditor banks can concentrate on their negotiations with Mexico on its request for $6bn in fresh financing to cover its balance of payments needs up until the end of next year.

Later this year Brazil is, however, expected to return with a request for a longer term multiyear rescheduling, which some bankers feel may revive pressure for an economic policy arrangement with the International Monetary Fund.

The agreement endorsed yesterday covers the rescheduling for seven years of debt that fell due in 1985, a rolling forward until next March of debt falling due this year and a commitment by banks to maintain unchanged short term trade and money market lines totalling $15.5bn.

Finnish N-plant closed after detection of faults

BY OLLI VIRTANEN IN HELSINKI

FINLAND'S Loviisa nuclear power plant was switched off yesterday after engineers detected faults at both of the plants' two reactors.

A strange noise was discovered at the main feed pump of one reactor. Soon after a valve failed at the other reactor during a build-up of output after a scheduled maintenance work. This caused a major leak of water.

No radiation has been detected in the surrounding area although Finland's radiation authorities were continuing to measure the levels last night.

The Loviisa power plant consists of two Soviet-built pressurised water reactors which produce 445 MW each.

● The funeral tomorrow of, Finland's former president Dr Urho Kaleva Kekkonen, will be attended by dignitaries from all over the world to Helsinki tomorrow.

Political and royal heads of state from all Nordic countires will be present and the US delegation will be headed by Robert McFarlane, President Reagan's former security adviser. Moscow will send a delegation led by vice president Demitsov. Britain will be represented by Malcolm Rifkind, Minister for Scottish Affairs

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Anthony Robinson reports on the background to the enthronement of Desmond Tutu

Churches' front-line role in South Africa

IN SOUTH AFRICA no government speech of any consequence is complete without reference to the will of the Almighty. Biblical justification sustains both the battle for black liberation and the defence of apartheid.

It was always thus, right from the beginning when refugees from 17th century religious persecution in Europe—mainly Calvinists or Lutherans from the Low Countries and Hugenots from France—first arrived at the tip of Africa.

The task of enlightening the heathen and bringing Christianity to the black tribes has also always exerted a powerful attraction on foreign missionaries and links with mother churches in Europe remain strong, as witnessed by the large contingent of foreign churchmen at tomorrow's enthronement of Bishop Desmond Tutu as Anglican Archbishop of Cape Town.

Today the overwhelming majority of blacks, including leaders of the African National Congress, such as Mr Nelson Mandela and Mr Oliver Tambo, profess allegiance to one or other of the main Christian churches or sects such as the Zionist Christian Church.

Blacks form a majority in congregations of all leading churches except the Dutch Reformed Church, to which over 2m Afrikaners belong. Ever since the historic 1857 Cape Synod of the Nederduitse Gereformeerde Kerk (NGK) the Reformed Church has been divided racially with separate "sister churches" for Coloureds and blacks.

As far back as 1837 resentment at the over-zealous defence of black rights and support for the abolition of slavery by foreign missionaries, such as Dr John Philip of the London Missionary Society, led to the Great Trek out of the Cape by disaffected Afrikaners. Piet Retief, one of the Trek leaders, justified it in a 10 point declaration published in the Grahamstown Journal.

Tomorrow Desmond Tutu, pictured above leading a protest against the detention of a priest, will be enthroned as the Anglican Archbishop of Cape Town and leader of over 1.6m South African members of the church of the province of South Africa. His enthronement in St George's Anglican Cathedral will be attended by prominent churchmen from South Africa and overseas, including the Archbishop of Canterbury, Dr Robert Runcie and a glittering cast of invited guests ranging from Mrs Winnie Mandela, wife of jailed ANC leader Nelson Mandela, prominent civil rights activists from home and abroad, including Mrs Roretta King, wife of slain US civil rights leader Martin Luther King, to American tennis player Arthur Ash.

In words which reflect an almost uncanny resemblence to the attitudes towards the outside world and threat of sanctions expressed by President P. W. Botha and other government leaders 150 years later, Point Four of Retief's statement read: "We complain of the unjustifiable odium which has been cast upon us by interested and dishonest persons, under the cloak of religion, whose testimony is believed in England, to the exclusion of all evidence in our favour, and we can see, as the result of this prejudice, nothing but the total ruin of our country."

With leaders of the African National Congress (ANC) in jail or exile and thousands more in detention under the state of emergency, including many chiurchmen, the role of the Churches as grass roots organisations with charismatic leaders has grown.

Overseas there is hardly a church in Christendom without its appeal fund for South Africa and the financial and moral support from foreign churches together with the oratorical skills and public relations sophistication of men like Archbishop Tutu and the Rev Allan Boesak, president of the 70m strong World Alliance of Reformed Churches, have brought the Churches into the front line of the struggle against partheid and white domination.

While men like these have toured the world, won Nobel and other prizes, wowed the media, wrong-footed the Government and argued passionately for sanctions and disinvestment, lowlier priests back home in the dusty townships have been burying the victims of repression and political infighting, intervening to prevent "necklace" killings and negotiating with the authorities.

It is the local priests in Soweto who have been supporting the families of last week's eviction riot victims in their demands to hold a mass funeral and challenging the refusal of the Government to allow it. It was also a black Catholic priest, Father Smangaliso Mkhatshwa who last week drew world attention to torture in detention and the role of the clergy in "the struggle" when a court heard his allegations of humiliaiting and painful torture imposed by the security forces.

It is all deeply frustrating for the God-fearing Afrikaners in power who see themselves as guardians and defenders of true Christian principles, acting in good faith to defend South Africa and themselves from a "total onslaught" by godless Communist totalitarianism.

Afrikaners are now split politically and these divisions are mirrored in the soul searching which in recent years has wracked the NGK.

As the NGK wrestles with the conscience, and the indignity of having its lingering attachment to apartheid denounced as heretical by the World Alliance of Reformed Churches three years ago, other prominent former members like Dr Beyers Naude, the outgoing chairman of the South African Council of Churches and Dr Nico Smith, who lives and works in the black township of Mamelodi near Pretoria represent those Afrikaners who passionately support the campaign against apartheid, with all the fervour of converts.

As world attention focuses on the enthronement of Archbishop Tutu in Cape Town tomorrow, the moral pressure on the South African Government grows stronger, but in its present mood there is little likelihood of any dramatic conversion on the road to Damascus on the part of a government whose members will also be saying their own prayers in their own way on Sunday.

Third World leaders honour Soweto dead

By Victor Mallet in Harare

THIRD WORLD leaders stood for a minute's silence at the non-aligned summit here yesterday in memory of South African blacks killed in Soweto near Johannesburg on Thursday.

Zimbabwean Prime Minister Robert Mugabe, head of the 101-member movement, condemned the South African Government. "Once again South Africa has shown its utter contempt for human rights," he told the conference, which is due to end today.

Most speakers yesterday reiterated condemnation of Washington and Pretoria, although the meeting was partially overshadowed by the hijacking of a US airliner in Pakistan. Pakistan's President Zia ul-Haq was monitoring the situation from the conference centre in Harare.

Committees held lengthy meetings to put the finishing touches to the summit's final declarations, which are not expected to contain any big surprises.

An economic statement to be adopted by the summit is expected to describe the Third World's debt burden as unbearable and arrange a meeting of debtors in the Peruvian capital of Lima in November. Delegates apparently rejected calls for mass defaults on debt payments.

Mr Emeka Anyaoku, the Commonwealth deputy secretary general, speaking at a news conference, expressed satisfaction with the non-aligned summit. "Virtually all the statements that have been made have declared support for the idea of comprehensive mandatory sanctions against South Africa," he said.

India files for damages against Union Carbide

BY K. K. SHARMA IN NEW DELHI

THE Indian Government yesterday filed for damages against Union Carbide in the Bhopal district court. It is seeking an unspecified amount of damages in connection with the gas leak from the multinational company's pesticides plant in December 1984 which killed more than 2,000 people and injured thousands.

The damages suit was filed mainly on the grounds that the Bhopal plant had a faulty design and the company did not take adequate safety measures to prevent the leak.

The Government, which has taken on powers to be the sole representatives of the victims of the leak, asked for damages which would fairly and adequately compensate all persons and authorities who have suffered as a result of the tragedy.

It also demanded sufficient punitive damages to deter Union Carbide and other multinationals from "wilful, malicious and wanton disregard of the rights and safety" of the people. Interest on compensation was also sought.

The Government had earlier filed the case for damages before the court of New York federal judge John Keenan. He rejected it on the ground of "forum non-convenience" but stipulated that Union Carbide should submit itself to the same rules in Indian courts as would apply if the case was being heard in the US.

Now that the suit has been formally filed, Union Carbide will be given its chance to reply to the Government's case. Hearings and presentation of evidence will then begin. This will take place after several weeks and the case could go on for months, even years.

The Government has promised that steps will be taken to ensure no undue delay in getting an early judgement.

In the suit, the Government holds Union Carbide responsible for the tragedy. "Key management personnel of multinationals exercise a closely-held power which is neither restricted by national boundaries nor effectively controlled by international law," it says.

"The defendant has to bear this responsibility (of the gas tragedy) for it alone had . . . the means to know and guard against the hazards likely to be caused by the operation of the plant."

Bombs halt Colombo rally

ATTACKERS threw two bombs that injured at least 40 people at a political rally called to support President Junius Jaywardene's plan to end the ethnic strike, police said yesterday, AP reports from Colombo.

The bombs halted the rally Thursday night when Mr Vijaya Kumaranatunga, an actor-turned-politician, was about to address the crowd at Mount Lavinia town, about 4 miles south of Colombo, police said.

Mr Kumaranatunga is the chief of the opposition Sri Lanka Mahajana Pakshaya Party. He has negotiated with Tamil separatists for a peaceful settlement of the island nation's ethnic crisis.

Tokyo fears coal ban price rise

BY IAN RODGER IN TOKYO

JAPAN'S main coal consumers say an import ban on South African coal would not cause any shortages, but prices of coal from other places might rise and South Africa might retaliate by withholding supplies of rare metals.

These are the points made by Japan's leading electric power and steel companies in response to government inquiries last month on the impact of a ban on coal imports from South Africa.

Japan, which bought about 20 per cent of South Africa's 44.8m tonnes of coal exports last year, would probably impose such a ban only if the US and the European Community did so.

Japan's federation of electric power companies said an import ban was unlikely to lead to a shortage of steam coal, but it could prompt Australia and other suppliers to raise prices.

Steel industry officials said they too were not concerned about a shortage of coking coal developing. However, they pointed out that they buy a much larger portion of their coking coal from South Africa than do US or UK steelmakers. Thus, the disruption to the Japanese steel industry of such a ban would be greater.

They also expressed anxieties about South Africa retaliating by restricting sales of metals such as chrome and vanadium.

In an interview yesterday with a Japanese newspaper, Mr Pik Botha, the South African Foreign Minister, who is on an unofficial visit to Japan, encouraged these anxieties. He said South Africa was not considering an export ban on rare metals. "But we may have to take certain measures to protect the country."

Japan shipbuilder to shed jobs

BY YOKO SHIBATA IN TOKYO

JAPAN'S second largest shipbuilder, Ishikawajima-Harima Heavy Industries (IHI), yesterday announced plans to cut its shipbuilding capacity by 60 per cent and its workforce by 7,000, about a third of the total.

The company wants to close its 100-year old main Aioi shipbuilding plant, which has two building berths and capacity of 260,000 Compensated gross tons (CGT), and one of two building berths at its Kure Works 188,000 (CGT). This would reduce the annual shipbuilding capacity to 266,000 (CGT) from 448,000 (CGT).

About 4,000 workers would lose their jobs as a result of closure of the building berths and another 3,000 workers would go because of the rationalisation of the company's land machnery and plant divisions.

The plan is the company's second rationalisation programme this year. In the first it said it would reduce its workforce from 24,000 to 20,000 with losses mainly in shipbuilding. This has proved insufficient as the shipping recession has deepened.

IHI and its union are expected to work out details of the cuts by the end of next March. Kosaku Inaba, company president, has told union leaders that government support is not enough to overcome difficulties caused by the slump in the shipbuilding industry and the Yen's sharp appreciation.

The government's rationalisation council for shipping and shipbuilding (CRSS) wants building capacity to be cut by 20 per cent, but industry sources say this is too optimistic, in the face of rapidly shrinking orders.

The CRSS proposal was based on shipbuilding demand forecasts made before the current steep appreciation of the Yen.

Other major shipbuilders are likely to introduce similar rationalisations.

Aioi Works was the birthplace in 1853 of Harima Shipbuilding Co, which merged with Harima and Ishikawajima in 1968 to form IHI. For three consecutive years from 1962, the yard claimed to have launched more ships than any other in the world.

Kure Works was established as Japan's Imperial Naval Arsenal in 1889 and battleships like Yamato and Nagato were built there before the Second World War.

Aquino agrees truce with Moslem secessionist leader

BY SAMUEL SENOREN IN MANILA

PHILIPPINE President Corazon Aquino and Mr Nur Misuari, leader of Moslem secessionists, agreed yesterday to a truce in the southern Philippines where fighting between government forces and separatist rebels has killed an estimated 60,000 people during the past 14 years.

Breaking protocol, Mrs Aquino flew to the southern island of Sulu for the unprecedented meeting with Mr Misuari that lasted two hours.

Mr Misuari, who slipped through the southern backdoor last week from his headquarters in Saudi Arabia, heads the largest Moslem rebel faction, the Moro National Liberation Front (MNLF) which is recognised by the Islamic Conference.

Mr Misuari who used to teach political science at the State University in Manila, had just addressed a three-day congress in the island of more than 1,000 fighters under his command.

In a joint statement issued after the meeting, Mrs Aquino and Mr Misuari said they agreed "to support the continued cessation of hostilities and will constitute their respective panels for substantive negotiations to be carried out in the future under the auspices of the Islamic conference."

The meeting had ended on a note of sincerity and hope, the [illegible]

But another rebel faction, which also has a large armed following in the main southern island of Mindanao said yesterday it would not honour the agreement between Mrs Aquino and Mr Misuari.

The Moro Independent Liberation Front (Milf), under Datu Firdhausi Abbas has been seeking autonomy for the Moslem regions of Mindanao and Sulu under the Tripoli agreement signed by the Government of deposed President Ferdinand Marcos in 1976 but which was never implemented.

There is concern that the Milf and yet another splinter group of the MNLF under Mr Hashim Salamat may order their forces to resume fighting.

The three factions which have been fighting for control of the secessionist movement have different ethnic backgrounds and different Middle East backers.

Mrs Aquino's meeting with Mr Misuari has been resented by the other separatist leaders who felt their influence and leadership have been ignored by Mrs Aquino. Political analysts say they may order renewed fighting if only to prove that Mrs Aquino should meet them.

The Communist rebels, who actually pose a more serious threat to the Manila Government, may also demand a similar meeting with Mrs Aquino.

Chilean protest leaves 100 under arrest

A MILITARY patrol killed one man, six people were seriously injured and about 100 others were arrested in protests sparked by a left-wing coalition's call for a nationwide general strike against military rule, AP reports from Santiago.

The leading opposition party, the Christian Democrats, refused to join Thursday's strike, and most Chileans went to work. But many left early to avoid possible trouble after dark.

Authorities said Mr Rodrigo Belles, 21, was shot by a navy patrol when he and a companion attacked a bus in the resort city of Vina del Mar. The patrol also wounded one man.

The official news agency Orbe reported that unidentified attackers sprayed a police van with submachine gunfire in a slum southwest of Santiago, seriously injuring two officers and a child who was passing by.

It also reported that a riot policeman was injured in a Santiago slum as he stamped out a street barricade made of burning tyres. A grenade exploded inside one of the tyres.

Before dawn on Thursday, 13 bombs and fires were set in the capital, and police reported damage to commuter buses, electric power lines, schools and an empty subway car.

A work stoppage two months ago backed by the entire opposition movement disrupted Santiago and other cities.

August car sales show 2.5% rise

BY JOHN GRIFFITHS

THE INTENSE debate over whether the registration prefix system for new cars should be changed will be intensified by confirmation that sales in August, the first month of the D prefix, set a record.

Figures from the Society of Motor Manufacturers and Traders showed 382,215 registrations for the month. This was 2.03 per cent higher than the previous record, of 374,599 units, set in 1983 when the A prefix was introduced.

It was also 2.5 per cent higher than the 372,872 in August 1985.

The Society said yesterday a new 12-month record seemed in prospect for 1986, although it warned that sales during the remaining four months were difficult to predict.

The size of the latest August bulge will lead to closer examination of whether the new-prefix month should be changed so as to distribute sales more evenly through the year. Mr Sam Toy, former Ford UK chairman, in his new role as society president, has declared the prefix issue "one of the most important facing the industry for years."

The share of the market in August taken by imports increased to 59.09 per cent, compared with 58.71 in August last year.

Announcement of the figures coincided with an attack on General Motors, whose Vauxhall/Opel cars subsidiary announced a 1,000-job redundancy plan on Thursday, by Mr Alan Williams, Labour Party spokesman on industry.

He accused GM of "leeching" on the UK market by doubling its share through cars produced abroad and merely assembled in the UK.

Even so, in this year to date, the share taken by imports is down to 56.59 per cent, compared with 58.68 per cent in the first eight months of last year.

Society statistics show UK-produced Vauxhall cars accounting for 53 per cent of GM's sales to date this year, compared with 44 per cent in the 1985 period. Also in the first eight months, Ford's UK output accounted for 62 per cent of sales, compared with 53 per cent a year ago. A last-minute rush, which led to 6,100 Metros being registered during the last three working days of August, helped Rover group to recover from the 14 per cent sales share it had been maintaining last month, and to squeeze ahead of Vauxhall into second place.

Fords led with 26.49 per cent.

The August sales top 10 was: Ford Escort 32,777; Ford Fiesta 27,496; Austin/MG Metro 25,299; Vauxhall Cavalier 20,172; Ford Sierra 18,761; Vauxhall Astra 16,071; Vauxhall Nova 12,026; Ford Orion 11,800; Austin/MG Montego 10,748; Peugeot 205 9,953.

UK CAR REGISTRATIONS

	August				Eight months to end August			
	1986	%	1985	%	1986	%	1985	%
Total market	382,215	100.00	372,872	100.00	1,394,680	100.00	1,358,936	100.00
UK produced	156,363	40.91	153,973	41.29	605,452	43.41	561,489	41.32
Imports	225,852	59.09	218,897	58.71	789,228	56.59	797,445	58.68
Ford	101,266	26.49	102,213	27.41	374,238	26.83	358,938	26.41
Rover Group	60,924	15.49	65,030	17.44	228,355	16.37	244,157	17.97
Vauxhall/Opel	55,707	14.57	59,946	16.08	217,219	15.57	230,747	16.98
Audi/VW	21,163	5.54	21,097	5.66	82,986	5.95	80,413	5.92
Nissan	20,814	5.45	21,844	5.86	74,006	5.31	70,821	5.21
Peugeot/Talbot	20,604	5.39	13,029	3.49	65,368	4.69	54,109	3.98
Renault	14,988	3.92	14,517	3.89	52,123	3.74	55,942	4.12
Fiat	13,081	3.42	12,037	3.23	45,609	3.27	40,959	3.01
Volvo	12,176	3.19	11,011	2.95	49,104	3.52	43,632	3.21

Source: Society of Motor Manufacturers and Traders

Group Lotus to shortlist factory sites

BY JOHN GRIFFITHS

A SHORT-LIST is to be drawn up of potential sites in and outside the UK at which Group Lotus may build new car production facilities.

The list *is expected to be* submitted at the end of this month to a board meeting at the sports car and engineering group's Hethel headquarters in *Norfolk* where fundamental decisions are expected to be made about the company's future.

Mr Alan Curtis, chairman of Lotus, which since early this year, has been owned by General Motors, said yesterday he was "totally committed" for the next two weeks to final talks with authorities in areas and countries where Lotus has been considering siting factories.

While Lotus has made clear that it would prefer simply to add to its existing facilities at Hethel, it says it must seek a site outside its home base because to carry out expansion plans it needs regional or other *grant aid, which is not available* in Norfolk.

The company plans to increase car production from the current 700 a year to more than 5,000 a year by the early 1990s, with totally new models.

However, its motivation in seeking expansion outside Norfolk and even the UK, has appeared to be more than strictly financial.

Prior to the GM purchase in January, Lotus had been struggling for some time to finance development of an all-new sports car—the X-100. With its engineering business also expanding, Mr Michael Kimberley, *the Lotus chief executive*, envisaged Lotus creating a *number of jobs similar to* Nissan's Tyneside car plant, even if Nissan moved to 100,000 a year output.

It clearly rankled that Nissan *was to receive £35m in discretionary* grants from central government when none was available to Lotus.

As if to underline the point, *Lotus* also announced yesterday that it is seeking an additional 120 employees for Hethel, bringing the total workforce to about 900. In the early 1980s, Lotus was employing around 350.

Mr Curtis said that talks had taken place with the Department of Trade and Industry about possible aid on similar discretionary lines as given to Nissan. But while they were continuing, "such a prospect *seems very unlikely as* we understand it."

Some prominence has been given to talks held with Dutch authorities last weekend.

However, a Dutch site is only one of numerous possibilities *being pursued.* "We *have* definitely not ruled out other sites in the UK," said Mr Curtis.

Any contraction of Lotus existing operations at its headquarters and sole production facility at Hethel, is also ruled out by the company's all-British executive directors.

The fact that Lotus is pursuing the "we need aid" theme, even though it is now backed by the Financial muscle of GM, appears to reinforce GM's contention at the time of the takeover that it would adopt a strictly "hands-off" approach. Full responsibility for the direction of Lotus is being *taken by the company's chair*man and chief executive.

Talks planned on Chernobyl compensation

By Robin Reeves, Welsh Correspondent

THE GOVERNMENT yesterday moved to defuse mounting protests over the arrangements for compensating sheep producers in Wales, Scotland and Cumbria hit by the restrictions that followed the fall-out from the Chernobyl nuclear disaster.

After discussions between ministers and farmers' leaders in London and Cardiff, Mr Nicholas Edwards, the Welsh Secretary, said changes would be introduced in the compensa*tion scheme next week.*

He accepted that the scheme had not worked equitably and reasonably.

Mr Tom Jones of the Farmers' Union of Wales *said* angry sheep producers—who have been threatening direct action—should "hold their fire but not throw away their ammunition."

Grumman takes radar rivalry to public

BY DAVID BUCHAN

THE INTERNATIONAL rivalry to supply to Britain an airborne early warning system (AEW) took a twist yesterday when Grumman of the US bought full-page advertisements in three UK national newspapers, inviting readers to support its side of the abstruse argument on the merits of ultra-high frequency (UHF) radar as against S-band radar.

Some Grumman rivals said this breached a Defence Ministry request that advertising campaigns be avoided so as not to make any more complex or politically-charged a competition that involves a total of seven UK and US bids and which has stirred protectionist fears that British industry would lose its hold in yet *another* hi-technology field, airborne radar.

However, other signs were that procurement officials of the Ministry were not displeased to see GEC of the UK being hustled to show improvements in its Nimrod AEW programme by the end of this month.

GEC has already claimed success *in resolving key problems* in its radar. If it can prove this to the ministry and to the Royal Air Force, it is likely to keep the AEW contract.

Grumman said it advertised because some ministry officials and the British Press in general had largely ignored the merits of the UHF radar which both Grumman and Lockheed are *offering, as against the* S-band with which both the GEC nimrod and the Boeing airborne warning and control systems (Awacs) aircraft are equipped.

INTERNATIONAL Aero Engines, the five-nation group building the V-2500 engine for *the European A-320 Airbus*, has won a $100m (£69m) order from Alia, the Royal Jordanian Airline, writes Michael Donne.

Mr Ali Ghandour, chairman and chief executive of Alia, said at the Farnborough Air Show yesterday the V-2500 had "*the latest proven technology* and will be the most economic engine available in 1990 when delivery of the airline's six A-320s will begin. A further four A-320s, which will also be powered by the V-2500, are on option."

International Aero Engines is owned by leading aero engine manufacturers in Britain (with Rolls-Royce holding a 30 per cent stake), West Germany, Italy, the *US and Japan.*

New credit rises sharply

BY OUR FINANCIAL STAFF

THE BOOM in UK credit growth has been underlined by a further sharp increase in lending *reported yesterday* by members of the Finance Houses Association.

Members of the association provided £3.4bn of new credit in *the second quarter this year*, an increase of 25 per cent over the same period last year.

Part of the increase was because the association acquired new members, *including Marks* and Spencer, which has launched its own credit card.

The underlying growth rate was *17 per cent.*

The association said growth was especially strong in the consumer sector, which was up 38 per cent, partly because of the increase in membership

On the industrial side, lending other than leasing also increased by 25 per cent to £968m.

Clive Wolman on a long fight to stop California's unitary methods

Britain a winner in US tax battle

THE REPEAL of unitary taxation by the Governor and legislature of the state of California in the US marks the abandonment of what had come to verge on an ideological commitment in the face of mounting pressure from foreign governments and multinationals.

The UK, the foreign country with the largest investments in California, has led the foreign lobbyists in the state capital, Sacramento, in their campaign against unitary tax for the past 10 years.

Under California's unitary taxation formula, a multinational corporation's worldwide profits are taxed on the proportion of its sales, payroll and real estate within California. Similar formulae have been adopted by other states in the US that have applied unitary tax over the past three years.

By contrast almost every other government, including the US Federal Government, taxes only the profits made by those subsidiaries of a multinational *that are based in its jurisdiction.*

Unitary taxation was first applied by California in the 1930s against Hollywood film companies that shifted their profits artificially out of the state to avoid tax. Most other tax agencies seek to stop multinationals shifting profits into tax havens by insisting that all goods and services be transferred between subsidiaries at "arm's length" (that is, free market) prices.

California's Franchise Tax Board, however, has consistently rejected this approach as inadequate. It extended the unitary taxation method against foreign-based multinationals in the late 1960s. But it was only in 1983 that the issue attracted worldwide protests following a US Supreme Court decision in favour of California which encouragerd other states to follow suit.

Other economically important states, such as Florida and Massachusetts, were persuaded to reverse their decisions. However, California, whose Gross Domestic Product is as large as that of the UK, has raised much more revenue than any *other state from unitary* taxation. During the state legislature's earlier debates, some estimates suggested that it would lose as much as $800m a year by abandoning the taxation method.

The latest figures, however, indicate that the tax loss to the state and the gain to multi*nationals, will be only $80m.* This is partly because different economic assumptions were used but partly because the repeal is not as sweeping as *some of the earlier proposals.*

Companies which elect to avoid worldwide unitary taxation will be taxed instead on just the share attributable to California of the profits they make in the US.

The election will have to be made for a period of at least 10 years and to do so the company will have to pay a fee. This is fixed at 0.03 per cent of a company's sales, payroll and property in California. The fee is expected to raise $38m annually.

Many US-based multinationals are disappointed by the provisions. They will be granted tax relief on only 75 per cent of the value of the dividends they receive from foreign subsidiaries. In addition companies such as Coca Cola, which are normally granted tax relief because they receive more than 80 per cent of their income from overseas operations, are to be denied any further relief.

*Only two months ago the pros*pects for a repeal of unitary taxation in California this year seemed slim. The repeal bill then passing through the legislature had aroused strong opposition, not least from the Governor, because it proposed to penalise companies doing business in South Africa.

However, the anti-apartheid campaigners were placated by a tougher measure which compels the public sector pension funds to disinvest from South Africa.

California has also come under increasing pressure from the Federal Government, which in turn has been lobbied strongly by *foreign governments.*

Mr James Baker, the Treasury Secretary, said recently that, once the tax reform bill had been passed, a measure to force states to abandon unitary tax would become a priority.

Today plans £4.5m promotion campaign

By Raymond Snoddy

TODAY, the Lonrho-controlled daily newspaper, plans to launch a £4.5m promotion campaign on Monday September 22.

It will involve national television advertising in all the parts of the country where Today circulates and most independent local radio stations.

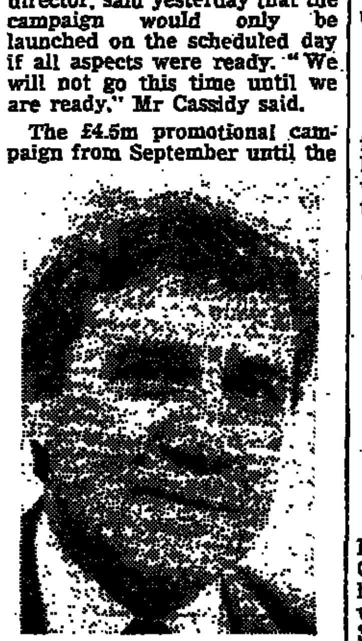
The campaign is designed to halt the slide in Today's circulation which has continued almost without interruption since it was launched on March 4.

At the same time the newspaper is to launch a game which will have two £50,000 cash prizes a week and other prizes such as time share holidays.

Detailed work has also been going on to improve the editorial content of the newspaper.

Mr Terry Cassidy, managing director, said yesterday that the campaign would only be launched on the scheduled day if all aspects were ready. "We will not go this time until we are ready," Mr Cassidy said.

The £4.5m promotional campaign from September until the end of the year will not emphasise Today's colour facilities in the way the initial launch did.



Terry Cassidy: "not until we are ready this time."

The latest figures available put the circulation at an average 305,000 a day, although the week's figures were affected by the bank holiday and production difficulties. The figures for *August, traditionally a slow* month for newspaper circulations, were about 315,000.

The first official Audit Bureau of Circulation figures for the six months to the end of September are expected to put Today's circulation at about 380,000.

David Thomas writes: News on Sunday, the left-of-centre national newspaper, the launch of which is planned for next spring has made its first two *senior editorial appointments.*

Mr John Pilger, a former Mirror journalist, is to be editor-in-chief, responsible for the overall editorial outlook of the paper.

Mr Keith Sutton, formerly a sub-editor on the Sunday Times magazine, is to be the newspaper's editor, responsible for day-to-day operations. Mr Sutton was one of the journalists who refused to transfer to News International's new Wapping plant earlier this year.

McMahon takes over as Midland chief

By Our Financial Staff

SIR Kit McMahon, former deputy governor of the Bank of *England, yesterday formally* took over as group chief executive of the Midland Bank. Sir Kit is also deputy chairman of the bank and will succeed Sir *Donald Barron as* chairman next April.

Mr Geoffrey Taylor, former chief executive becomes vice chairman until he reaches *retirement age next February.*

Owen reaffirms commitment to merged tax and benefits policy

BY IVOR OWEN

DR DAVID OWEN, leader of the Social Democrats, yesterday denied that there was any question of the SDP policy document Merging Tax and Benefits, published a fortnight ago, being shelved—in spite of the indications given earlier by some of his more jittery colleagues.

On the contrary, he looked forward to its main thrust being endorsed by the SDP Conference which opens at Harrogate next Saturday.

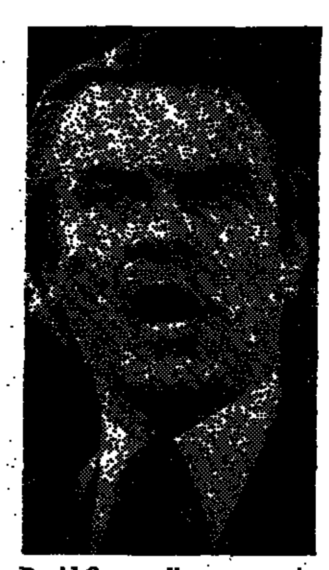
The proposals envisage an integration of income tax and *National Insurance contributions*, higher child benefit, a new basic social benefit and simplification of personal tax allowances.

Dr Owen also denied that the plan to merge income tax and social security benefits would make most families earning above the average — £10,000 a year upwards — worse off.

In a bid to prevent the SDP's electoral prospects from further damage through either misunderstanding or misrepresentation, he insisted that in the main only those earning more than £17,200 a year would have to pay more.

However, at the press conference to launch the proposals Mr Dick Taverne, head of the working group which produced the paper and a former Labour *Treasury Minister, had* indicated that most families with an income of more than £10,000 a year would be worse off.

Dr Owen accused Mr Norman Tebbit, chairman of the Conservative Party, of orchestrating a campaign of distortion suggesting that the SDP's proposals would result in a single-income family with two children being worse off by as much as £24 per week.



David Owen: alleges campaign distortion.

Reaffirming his long-standing commitment to positive help for those at the bottom end *of the incomes scale*, he said: "There is no way that I am going to be knocked off this reform just by the first whiff of grapeshot from Mr Tebbit."

Dr Owen, who admitted that the document could have been presented more effectively, rejected suggestions that it had become a source of friction with the Liberals, the SDP's partners in the Alliance.

He stressed that the Alliance had been "committed to these proposals in essence for quite some time."

He added that it would not *have been customary for such* a policy document to be seen by Mr David Steel, the Liberal leader, before publication.

Mr Taverne emphasised that *the document had been seen* "in almost its final form" by Mr Archy Kirkwood, Liberal health spokesman.

Dr Owen acknowledged the difficulties of presentation associated with proposals for radical redistribution and made it clear that he would still consider a "softer introduction" by using revenue derived from indirect taxation instead of relying solely on finance generated by income tax and the social security system.

At the *same* time he underlined the difficulties which would be created by *the retail* price index being forced up by increases in value added tax or *other indirect taxes at a time* when there might be a need for income restraint.

According to the latest figures from the SDP, single-earner *families* with two children would suffer financial loss as a result of the proposed changes only where their gross income exceeds £330 per week.

Greece asked to curtail cement deliveries to UK

BY MAURICE SAMUELSON

BRITAIN yesterday appealed to Greece to suspend deliveries of heavily subsidised cement which, it claimed, could lead to 3,000 job losses in the UK cement and coal industries.

Mr Alan Clark, Trade Minister, wrote to two Greek Ministers, to ask them to stop subsidising Greek cement sales to the UK. He also renewed his complaint to the European Commission about what he called "the serious risk" of job losses in Britain, if Greece were to continue to supply cheap cement to fellow EEC countries.

The commission is expected to take up the matter with the Greek Government early next week.

UK cement-makers estimate that 1m tonnes of cement a year could be *imported from Greece*, compared with UK production of just over 13m tonnes. Two large floating silos have arrived at Tilbury and Liverpool. The *first is expected to discharge* its cargo of cement this month.

It is claimed that imports on this scale could eliminate 1,500 jobs in the UK cement industry, 1,000 ancillary jobs, and 500 in the East Midlands pits which provide 300,000 tonnes of coal a year to UK cement kilns.

Greek manufacturers are able to undercut UK prices thanks to a package of subsidies, *authorised by the com*mission until the end of the year to ease Greece's balance of payments difficulties. They include an 18 per cent subsidy on export prices.

Besides the relief authorised by Brussels, two of Greece's four main producers, which are State-controlled, enjoy further help with their capital costs and energy bills.

● Mr Malcolm Edwards, British Coal's commercial director, said yesterday that the miners whose jobs were at risk "sustained coal supplies during the National Union of Mineworkers strike, despite the greatest *harassment.*" The Government should not let them down, he said.

Over half ventures joining OTC 'had BES aid'

BY WILLIAM DAWKINS

THE NUMBER of Business Expansion Scheme-backed ventures getting flotations on over-the-counter markets is growing steadily, according to statistics published yesterday.

A market survey by Peat Marwick, the accountancy firm, shows that more than half of the 27 companies to have joined the OTC in the year to August were aided by *the BES, which* provides tax incentives for private investment in unquoted businesses.

That is a significantly higher *proportion* than recorded in Peat Marwick's previous OTC survey in June, which estimated that about a third of OTC flotations in the previous three years *had received BES funding.*

The 25 BES flotations of the past 12 months accounted for more than half of the £40m raised by OTC entrants overall during the period, says the survey. The OTC's popularity with companies funded by the scheme is due to the fact that the market is exempt from regulations with drawing tax relief for BES companies that get *public quotations* within three years of investment. Investors may not then sell BES shares for five years

"The demand for dealings in *the shares of these companies is* likely to grow still further as the five years' holding period for BES investors begins to expire," said Mr Ted Awty, partner in charge of Peat Marwick's OTC practice.

Of the 47 ventures to have joined the OTC over the past year, 29 were start-ups and 19 of those qualified for BES tax relief.

Peat Marwick's OTC Market Survey. Free from Peat Marwick, 1 Puddle Dock, London, EC4 3PD.

College of the Air head chosen

By Raymond Snoddy

MR MICHAEL GREEN, chairman of Carlton Communications, is to become chairman of the College of the Air, by which the Government is to provide vocational training *through television.*

Carlton, a television services company, tried unsuccessfully to take over Thames Television last year.

An announcement by Lord Young, Employment Secretary, is expected to be made this month.

The college, which is to be renamed The Open College, will be a commercial company, limited by guarantee and with charitable status.

Its cost is expected to be about £10m a year, and among Mr Green's first tasks will be to find a full-time chief executive and persuade British industrialists to support the venture.

By choosing Mr Green, 38, the Government has gone to a young, *rapid* communicator rather than a traditional industrialist or educationalist.

There are echoes of the decision this year to ask Mr Richard Branson, chairman of Virgin Group, to head a "clean-up-Britain" campaign.

Mr Green has created the biggest television and video facilities company in Europe, which is worth nearly £300m and leads one of the five consortia that applied last week for the British franchise of three channels of direct broadcasting by satellite.

The college hopes to complement the Open University and offer vocational training to those aged over 16, with emphasis on the newer information industries where there are skill shortages. It will also offer *courses for professionals*

It will be based in London and Manchester, and is being supported by the independent television companies, Channel 4 and the BBC.

Programmes will be broadcast in gaps in the current schedule, particularly about noon, and be supported by written materia.l

BASE LENDING RATES

	%		%
ABN Bank	10	Exeter Trust Ltd.	10½
Allied Arab Bank Ltd	10	Financial & Gen. Sec	10
Allied Dunbar & Co	10	First Nat. Fin. Corp.	11
Allied Irish Bank	10	First Nat. Sec. Ltd	11
American Express Bk.	10	● Robert Fleming & Co.	10
Amro Bank	10	Robert Fraser & Ptrs	11
Henry Ansbacher	10	Grindlays Bank	‡10
Associates Cap Corp	10	● Guinness Mahon	10
Banco de Bilbao	10	● Hambros Bank	10
Bank Hapoalim	10	Heritable & Gen. Trust	10
Bank Leumi (UK)	10	● Hill Samuel	§10
Bank Credit & Comm	10	C. Hoare & Co	10
Bank of Cyprus	10	Hongkong & Shanghai	10
Bank of Ireland	10	Knowsley & Co. Ltd	10½
Bank of India	10	Lloyds Bank	10
Bank of Scotland	10	Mase Westpac Ltd.	10
Banque Belge Ltd	10	Meghraj & Sons Ltd	10
Barclays Bank	10	Midland Bank	10
Benchmark Trust Ltd	10	● Morgan Grenfell	10
Beneficial Trust Ltd	11	Mount Credit Corp. Ltd	10
Berliner Bank AG	10	National Bk. of Kuwait	10
Brit. Bk. of Mid. East	10	National Girobank	10
● Brown Shipley	10	National Westminster	10
CL Bank Nederland	10	Northern Bank Ltd	10
Canada Permanent	10	Norwich Gen. Trust	10
Cayzer Ltd	10	PK Finans. Intl (UK)	10½
Cedar Holdings	11	Provincial Trust Ltd	11
● Charterhouse Bank	10	R. Raphael & Sons	10
Citibank NA	10	Roxburghe Guarantee	11
Citibank Savings	¶10¾	Royal Bank of Scotland	10
City Merchants Bank	10	Royal Trust Co. Canada	10
Clydesdale Bank	10	Standard Chartered	10
Comm. Bk. N. East	10	Trustee Savings Bank	10
Consolidated Credits	10	UDT Mortgage Express	¶10.9
Continental Trust Ltd	10	United Bank of Kuwait	10
Co-operative Bank	*10	United Mizrahi Bank	10
The Cyprus Popular Bk	10	Westpac Banking Corp	10
Duncan Lawrie	10	Whiteaway Laidlaw	10½
E.T. Trust	11	Yorkshire Bank	10
Equatorial Tst Corp. plc	10		

● Members of the Accepting Houses Committee. * 7-day deposits 5.69%. 1-month 6.03%. Top Tier—£2,500+ at 3 months' notice 9.72%. At call when £10,000+ remains deposited. ‡ Call deposits £1,000 and over 6¼% gross. ¶ Mortgage base rate. § Demand deposit 5.82%. Mortgage 11%.

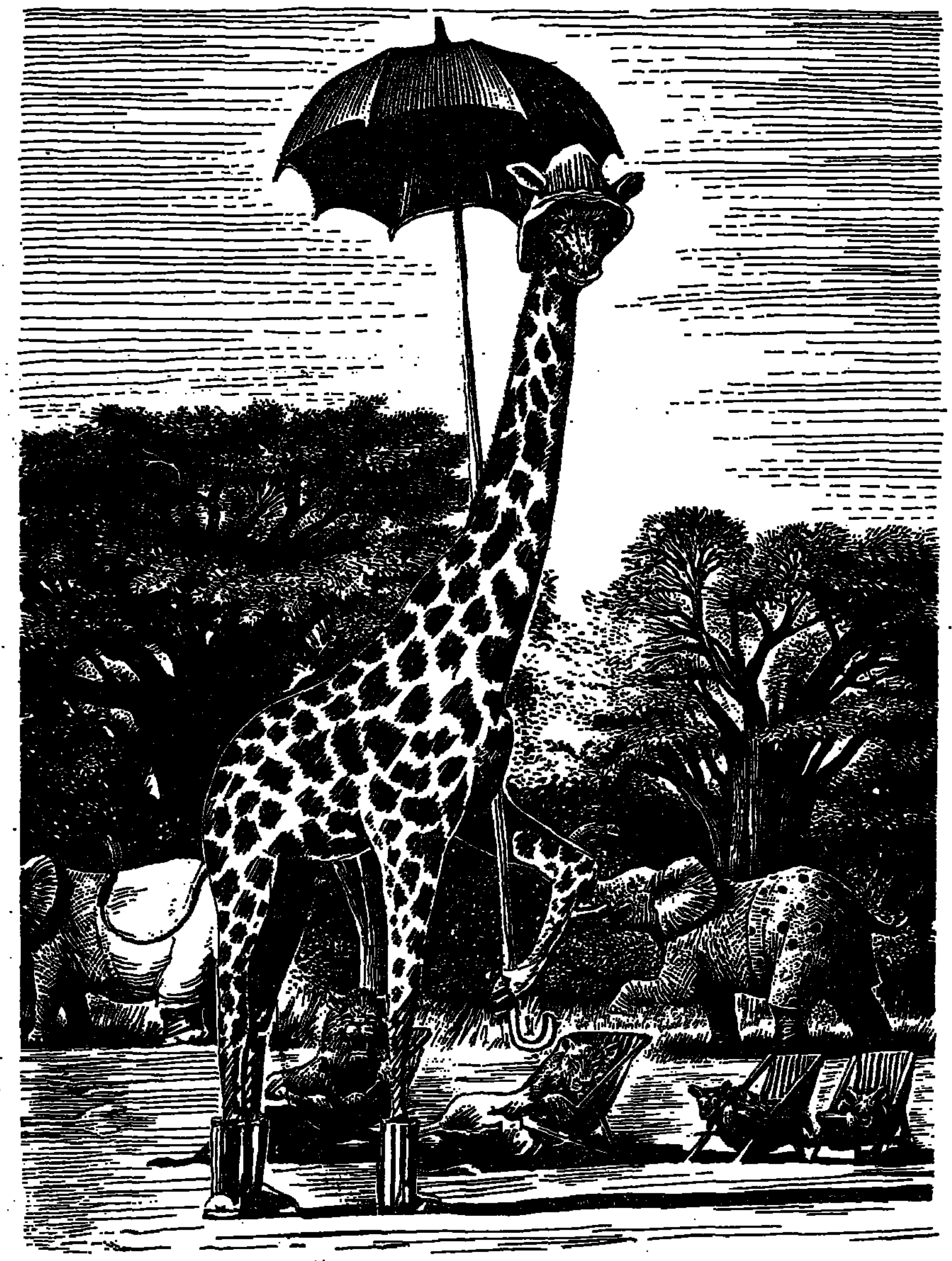
هكذا من الأصل

Advice to the unwary abroad in the City, or

WHY THE METEOROLOGICAL OFFICE SHOULD BE STAFFED BY GIRAFFES.

THE sun blazed down on the scorched savannah. The dry grass rustled like sandpaper in the hot breeze. Overhead, the sky was porcelain blue. But the giraffe was donning a sea-green sou'wester. A sunbathing lion opened a quizzical eye and started to roar with laughter. A pack of hyenas cackled hysterically. Undeterred, the giraffe tugged on his wellies, one, two, three and four.

Gnus gnudged each other, whispering and giggling. The giraffe pohed pohed their jibes and unfurled a sober black umbrella. Still, the other animals broiled in the sun. Elephants sported smart new trunks. A long-legged camel shyly adjusted the bikini top on her humps. But the giraffe was studying the skies.



And, sure enough, a little black cloud came scudding in from the west. Then another. Then another. Until at last the sky above was as black as ink. With a violent crack, the clouds split open. The sunbathers were bathed in a torrent of rain.

As they scurried for cover, awash with mascara and suntan oil, the giraffe reflected on the advantages of being the tallest animal of them all. From his lofty vantage point, he'd been able to see the clouds gathering on the horizon.

Like the giraffe, Mercury Fund Managers benefit greatly from their stature. With the vast resources of Mercury Warburg at their disposal, and their network of offices all over the world, Mercury can command a superior view of the international stock markets. So there is no one better equipped to detect the slightest shift in the economic climate.

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Sharp rise in private house building

Financial Times Reporter

THE NUMBER of housing starts by private sector construction companies rose by nearly a fifth in the second quarter of this year, largely as a result of a booming market in London and the south-east.

Figures published by the Environment Department yesterday show that private sector starts in Great Britain were up 17 per cent in the period May to July over the previous three months, and 15 per cent over the same period a year ago.

The number of houses completed was up 4 per cent over the previous three months, and 9 per cent up on last year.

Housing starts in the public sector were unchanged over the previous three months, however, and 9 per cent lower than a year earlier, while completions were down 17 per cent and 28 per cent respectively.

As a result the total number of starts was up only 14 per cent against the previous three months, and 11 per cent on the same period last year.

Total completions were unchanged from the previous three months, and were only 1 per cent higher than a year ago.

The figures show greater increase in house building during the second quarter than had been predicted by the National House Building Council, which had estimated a total increase in housing starts of 13 per cent.

The council said yesterday that most of the increase was confined to London and the south-east, where house prices have been rising at between 20 per cent and 25 per cent a year.

Housing starts in London are estimated to have increased by about 50 per cent in the past 12 months, while there have been substantial falls in some parts of the country — the greatest were Tyne and Wear with a fall of 18 per cent and South Glamorgan with a fall of 34 per cent.

The council said part of the second quarter increase could have been caused by delays resulting from bad weather earlier in the year, and noted that starts usually declined later in the year.

James Buxton reflects the Edinburgh view of the Distillers takeover

Scots feel bitter over Guinness

FOR SEVERAL weeks the Scottish financial establishment has seethed with suppressed anger at the way Mr Ernest Saunders, chairman and chief executive of Guinness, reneged on commitments he made on the structure of the board of his company at the height of the takeover battle for Distillers.

But only in the past few days has the tide of protest reached the point where the Scots have been prepared to put their heads over the parapet.

First, a number of Scottish financial institutions — including the Scottish Widows, Scottish Amicable and Scottish Mutual — have indicated publicly that they are poised to vote against the new board structure at Guinness when the brewing and leisure group holds it extraordinary meeting next Thursday.

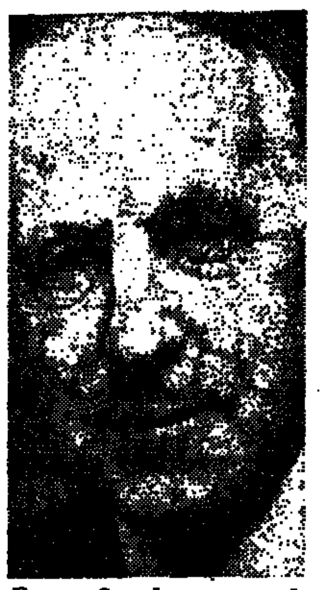
Then, two days ago, Sir Thomas Risk, governor of the Bank of Scotland and the man nominated to become non-executive chairman of Guinness, broke a long silence on the matter and issued his own version of the events which led to his being asked to step down. His story differed markedly from the version put out by Guinness.

The sudden burst of public activity, supplemented by a weighty letter to the Financial Times from Mr Raymond Johnstone, chairman of Murray Johnstone, the Glasgow investment managers, is a concerted last-minute campaign to influence the outcome ofthe extraordinary general meeting.

The Scottish financial establishment consists of bankers, investment managers, stockbrokers and the main Scottish institutional investors who maintain a distinct identity from their counterparts in the City of London.

They are based mainly in Edinburgh — usually around Charlotte Square — but are also found in Glasgow. One of their most striking characteristics is a remarkable cohesiveness reinforced by a network of interlocking directorships.

How successful they will be must depend in part on whether the establishment can succeed in winning over significant support among other UK investors in Guinness. Guinness reckons that less than 10 per cent of its shares are held north of the border, although it is argued in Edinburgh that the value of these shares in voting terms will be doubled if, only about half those eligible actually do vote.



Ernest Saunders: angered financial establishment.

The Guinness board needs a 50 per cent majority for a new board structure under which Mr Saunders would be confirmed as chairman and chief executive of the company.

But with this formula, Guinness is going back on its written commitent during the takeover battle to set up a group board chaired by Sir Thomas Risk.

Scottish financial circles emphasise that the issue concerns the whole UK. It confirms the principle of self-regulation and, as a senior figure in Edinburgh put it, "whether offer documents are sacred or not."

The view in Scotland is that they most certainly are. They think Mr Saunders' explanation for the need to go back on previous commitments—that Guinness didn't know enough about Distillers when it made its original decision—is threadbare in the extreme.

The plan to create a board under Sir Thomas Risk was formulated specifically to allay fears in Scotland that Distillers would be controlled from London after Guinness took over. This was considered necessary to swing a significant percentage of Scottish investors who held Distillers shares behind Guinness rather than Argyll.

"It was the price which Saunders promised in order to win our support. Then he didn't pay the price," said one member of the establishment here.

That rejection was taken as a humiliating snub, reawakening among Scottish financiers and businessmen, as well as politicians, sensitive memories of many other occasions on which, they believe, Scotland has been short-changed on issues of economic and industrial policy by the centralising tendencies of government and business in London.

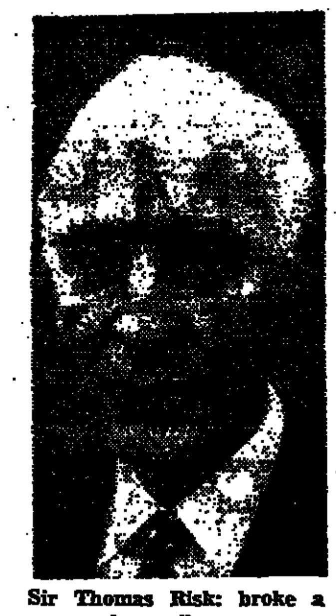
But the decisions of Mr Saunders and the Guinness board also raised grave doubts in Scotland about an aspect of the Distillers issue which may turn out to be of greater long-term importance: the question of where Guinness will be run from.

In his letter to shareholders on March 3 (six weeks before his victory in the battle) Mr Saunders stated that Guinness' group headquarters would be moved to Edinburgh "where the group chief executive's office will be located." He said "the decision-making centre" of the group would be in Scotland.

When Guinness wrote to shareholders on August 22 explaining why it was going back on its commitment to install Sir Thomas Risk as chairman, Lord Iveagh, the new president, and Mr Saunders, said Guinness would be selling the Distillers headquarters in St James' Square, London, and taking steps to "transfer Guinness's registered office to Edinburgh, where its designated head office will also be located."

But they added that it would "take time" to establish "management control of various functions in Scotland," and went on to say that the revitalisation of Distillers depends on "Guinness' ability to expand its market for its products overseas, which accounts for more than 80 per cent of its sales. The thrust of the new group must therefore be in its overseas marketing. Accordingly, Guinness will also maintain principal offices in London, New York and Tokyo."

Many people in Scotland believe this is a substantial watering-down of the earlier commitment and in their present mood they are not prepared to give Guinness the benefit of the doubt. At Thursday's EGM, Scottish Amicable, for one, intends to press Guinness on this question as well as the absence of any mention in the second document of the location of the chief executive's office. It also intends to ask where the executive directors of Guinness are to be domiciled.



Sir Thomas Risk: broke a long silence.

An outside observer might ask why Scots feel it so important that Guinness should locate its decision-making centre in Scotland, particularly as it is widely acknowledged that the effective decision-making centre of Distillers itself had been allowed to slip across the border several years ago.

The first answer one hears in Edinburgh is quite simply that these were the terms on which Guinness bid for Distillers, Scotland's biggest company, and one which, in terms of turnover, is about three times as large as Guinness.

A more profound answer is that Scotland will benefit from the Guinness takeover simply by virtue of the fact that Scotch whisky can only be produced in Scotland and that therefore what is good for whisky must be good for Scotland.

Underlying this argument is the belief that it is unhealthy for Britain as a whole that so many decision-makers in practically every field are based in the southeast, along with those who service them—administrators, lawyers, accountants, advertising and public relations organisations.

Guinness, prevented by Stock Exchange rules from commenting officially ahead of the EGM, believes that it is doing its best for Scotland. But following the Sir Thomas Risk affair, it is hard to find anyone who believes it.

City split over Guinness, Page 10

Finance man joins ILG board

Mr Robert Smart has been appointed to the board of INTERNATIONAL LEISURE GROUP. He joined the group in 1981 from Arthur Anderson & Co. where he was a senior manager and in that capacity was responsible for the flotation of ILG. He joined ILG as financial director of Intasun Holidays, became group financial controller in 1983 and executive director of corporate planning and development in 1985.

★

LONDON AND PROVINCIAL POSTERS has appointed Mr Borkowski, as development director. He leaves Gateway Foodmarkets, part of the Dee Corporation, where he was director of acquisitions and new store development.

★

Mr Henry Casley, who is director of marketing of Eastern Electricity, is to become deputy chairman of the SOUTHERN ELECTRICITY BOARD for five years from October 1. He succeeds Mr J. Anderson who is to become managing director of British Electricity International.

★

APPLETON HOLDINGS has appointed Mr C. Bentley Smith as chairman and chief executive. Mr Roger Cowan has decided to resign as chief executive for personal reasons but will continue to serve as a director. Mrs Denise Orgee has been appointed sales director and Miss Juliette Wheeler becomes associate director.

★

Mr Denis Cassidy, deputy chairman of Storehouse and chief executive and managing director of British Home Stores, has been appointed a non-executive director of BAA (formerly the British Airports Authority).

★

Mr Nick Robinson has been appointed chief manager for Belgium in the Brussels branch of National Westminster Bank's wholly-owned subsidiary, INTERNATIONAL WESTMINSTER BANK. He succeeds Mr Michael Oakley, who is returning to the UK. Mr Robinson was an accounts executive with the bank's world corporate group, international banking division in London.

★

Mr Vernon Ellis has succeeded Mr Martin Vandersteen as managing partner of ARTHUR ANDERSEN & CO, management consultants. Mr Vandersteen will continue to be based in London and will now have wider responsibilities.

★

Mr Peter Leslie, chief general manager of Barclays Bank, has been appointed deputy chairman of the EXPORT GUARANTEES ADVISORY COUNCIL. He succeeds Mr William Dacombe, who has retired.

★

Promoted to the board of DDD, a Watford pharmaceutical company are Mr Frank Sterling as sales director, Mr David Rainsford as finance director, Mr John Howlett as director of the contract packaging division, and Mr Geoff Scotson as director of production.

★

British Underwater Engineering has appointed Mr David J. Partridge as managing director of subsidiary, SLINGSBY ENGINEERING and as chairman of Advanced Production Technology. He will retain some of his present BUE Group co-ordination functions.

★

Mr Roy C. G. Cotterill has been appointed chairman and chief executive of TELEMETRIX. He has more than 20 years' experience with GEC, mostly with its overseas operations and latterly as managing director of GEC, Australia. Since 1985 he has been group managing director of The Cambridge Instrument Company. Mr Cotterill succeeds Mr Roy Cole who, as a founder of Telemetrix, has been chairman for nearly 10 years. Mr Cole will remain on the board and will continue to be involved in research.

★

KELLOGG COMPANY OF GREAT BRITAIN has formed an office of the chairman, comprising Mr Ross Buckland (formerly chairman and managing director) as chairman, Mr David Brenner (formerly deputy managing director) as managing director and Mr Geoff Lord, deputy managing director.

★

HOUSEHOLD MORTGAGE CORPORATION has appointed Mr Andrew Dobson as executive director, product development and investment. He was executive director, Citicorp Investment Bank.

★

Mr M. L. Allinson, Mr F. T. Brundage, Mr G. S. Gilbert, Mr B. V. Hitchcock, Mr H. R. Kerr-Smiley, Mr N. A. J. Waite and Mr D. B. Wheeler have been appointed directors of C. T. BOWRING & CO. (INSURANCE). Mr J. S. Adams, Mr A. S. Burridge, Mr J. W. J. Cole, Mr M. Hewett, Mr C. M. Hills, Mr A. E. B. Hoare, Mr D. C. Horton, Mr A. D. Kemp, Mr R. A. Leeds, Mr L. A. F. Niel Mee and Mr H. A. F. Parshall have been appointed directors of C. T. Bowring Reinsurance.

★

Mr Mark I. Henderson has been appointed managing director, and Mr Derek P. Moore, director, of HILL SAMUEL PENSIONS INVESTMENT MANAGEMENT.

★

J. C. BAMFORD EXCAVATORS has made several new executive appointments. Mr John Sussens becomes manufacturing director and is succeeded in purchasing by Mr John Appleby, while Mr Chris Wood is appointed corporate marketing director and Mr Rooney Massara becomes director of the military products division.

★

IMP EUROPE, Swindon, has appointed Mr Larry Sargent as director of finance and administration. He joined from the communications division of Motorola where he was director of finance for Northern Europe.

ECONOMIC DIARY

MONDAY: Credit business (July). July final figures for retail sales. August provisional producer price index numbers. Statement from Sir Robert Haslam, new chairman of British Coal. Official opening of new Nissan car plant, Washington, Tyne and Wear. European Parliament session opens, Strasbourg (until September 12). EEC Finance Ministers start two-day meeting, Brussels. IMF publishes annual report, Frankfurt. Review of international convention banning toxic weapons, Geneva. Conference on air pollution and acid rain, Stockholm (until September 10).

TUESDAY: Provisional estimates of monetary aggregates for mid-August. London and Scottish banks' August monthly statement. Mr James Prior speaks at American Chamber of Commerce lunch, Hilton Hotel. International Freight Industry conference and exhibition opens at Barbican Centre (until September 12). Pearson interim results.

WEDNESDAY: Mr Peter Walker, Energy Secretary, launches autumn "Monergy" programme. British Telecom annual meeting and interim results, NEC, Birmingham. Anglo-Spanish talks on Gibraltar, Madrid. UNESCO executive board meeting, Paris (until October 8).

THURSDAY: *Provisional figures* of vehicle production for August. Mrs Margaret Thatcher begins two-day visit to Norway. Nordic bourses and watchdog organisations hold conference on increased co-operation, Stockholm. US revised figures for 1986 plant and equipment expenditures. London bankers discuss debt rescheduling with Nigerian delegation. Royal Dutch Shell group and Rowntree Mackintosh interim results. Thorn EMI annual meeting. Guinness special shareholders' meeting.

FRIDAY: Usable steel production (August). Retail prices index; and tax and price index for August. Building societies' monthly figures for August. Second quarter construction output. IADB International Investment Corporation holds two-day inaugural meeting, Caracas.

Government 'biased' against car industry

THE GOVERNMENT was accused of discriminating unfairly against the home car industry, in a motion calling for a halt to further expansion of foreign-based car companies until their UK counterparts can compete in the market on equal terms.

Mr Roy Grantham, General Secretary of the white-collar union APEX, said that by increasing interest rates and VAT payments on cars, the Government had effectively taxed all exports and subsidised all imports.

Reports by David Brindle, Helen Hague, Charles Leadbeater. Picture by Ashley Ashwood

Britain's motor industry was the country's largest manufacturing asset — but the Government's policies had helped weight the scales against it in the world market. Until this balance was redressed — and the British vehicle industry had equal financial and trading opportunities to foreign-based companies — the growth of those companies should be restricted.

He said the Government's £100m "enticement" to Nissan to come to Britain would add further to the European car market's over-capacity to the further detriment of the home industry.

Call to halt rail industry cutbacks

CALLS FOR the Government to invest in a properly integrated transport system and halt the trend towards rail industry cutbacks, were unanimously backed.

Delegates reaffirmed the TUC's opposition to the Government's privatisation and deregulation programmes in the public transport sector.

Mr Lew Adams, of the train drivers' union, Aslef, said that a constructive programme of renewal and investment in public transport, currently being drafted by the TUC and transport unions, should form a basis for action by an incoming Labour government.

British Coal, the Central Electricity Generating Board and British Rail came under fire for the fact that some coal stocks were still being moved by road, not rail, 18 months after the miners' strike.

The Government's failure to act on this was condemned on environmental grounds.

NUT's Jarvis is chairman and president

THE NEWLY-ELECTED TUC General Council, meeting immediately after the close of congress, appointed Mr Fred Jarvis, general secretary of the National Union of Teachers, as its chairman and TUC president for the coming year.

By convention, the appointment is made on the basis of seniority. Mr Jarvis, who has served on the General Council since 1974, was next in line after Mr Ken Gill, the outgoing president.

Mr Clive Jenkins, general secretary of the white-collar union ASTMS, has the same length of service as Mr Jarvis but convention dictated alphabetic precedence.

Mr Jarvis said he was proud to be the first leader of a teachers' union to become TUC president. "It shows we have finally arrived within the movement."

Man in the News, Page 8

Praise for foreign activities

THE NATIONAL Union of Journalists called on the TUC's international department to give a higher public profile to its work.

Mr Colin Bourne, an NUJ delegate, praised the department for its recently published report on the TUC's visit to South Africa. He urged the department "to be a little less coy about its other international activities."

The motion was not put to a vote, as the union asked for it to be remitted to the incoming General Council.

UCATT official

YESTERDAY a picture of Mr Albert Williams, general secretary of the building workers' union UCATT, was wrongly used and captioned to illustrate comments by Mr John Ward,

Freer fund investment urged

CALLS FOR pension fund trustees to be allowed to take social and moral considerations into account when arguing for investment decisions were voiced on the congress floor.

Mr David Norman, from the National Communications Union, argued for a change in the law which disallows such arguments being raised.

A part of the £200bn assets held by pension funds could be tapped to secure job creation investment. He said this would not mean investing in "lame duck" projects to the detriment of pension fund subscribers.

A motion calling on the General Council to explore the issue in the next year, in consultation with trade union pension fund trustees, was

Tobacco sweets condemned

ALL ADVERTISING of Skoal Bandits — a tobacco chew sold to children — should be banned, delegates decided.

Congress unanimously approved a motion from the Health Visitors Association which condemned the manufacture and sale of the sweets.

Mrs Meg Roper of the HVA warned that research in the US showed that people taking tobacco orally over a long period stood 50 times the normal risk of contracting cancer. She said Skoal Bandit contained more nicotine than any cigarette marketed in the UK.

"The risk of addiction amongst children is immense," she said.

Mrs Roper condemned the decision to give £1m of public money to the American company US Tobacco to build a factory in Scotland to manufacture the sweet. She said the American market for the sweet was worth more than $1bn.

Anti-apartheid campaign success

MORE THAN £10,000 has been raised at the congress towards the campaign to end apartheid in South Africa. Delegates contributed over £4,000 yesterday by buying carnations to symbolise freedom. Two unions, Nalgo and Nupe, have donated £6,000.

Coloroll invests £4m in pottery plants

TWO LEADING pottery companies in Stoke on Trent yesterday announced a £4m investment programme and jobs boost. Lancashire-based furnishing group Coloroll revealed that it is to invest the money in Staffordsire Potteries and Biltons Tableware following a successful £20m takeover deal earlier this year.

The expansion plans were unColoroll's chairman. He said the money would be invested during the next 12 months.

Coloroll claims to be the biggest wall covering business in the country and its turnover has

Philip Bassett tells how delegates of the unionised minority of Britain's workers put their style right

Prospect of general election inspires unity

THE AULD acquaintance celebrated in the traditional musical end to the TUC's annual gathering was renewed this week.

The auld acquaintance between Britain's unions and the Labour Party was badly broken in the 1979 and 1983 general elections, but has been reforged in the pervasive spirit of unity this week at Brighton.

In a sense, the main problems of the unions have been little addressed at the TUC this year — with the exception of the approach to them by Mr John Edmonds of the General, Municipal and Boilermakers' Union. Ignored by many was the apathy of the public to the movement, which is expressed in the non-unionism of many companies, especially new ones, and of what is now a majority of workers in Britain.

But, in another sense, a start on them has been made. Mr Willis, TUC general secretary, put it well when he spoke to the Congress of appealing to a wider audience. His sentence characteristically collapsed, but his actions — holding wide his arms to embrace the outside world — were eloquent.

A new determination to abandon the internal, divisive sectionalism which has dominated Congresses, especially those of the last two years; a new insistence that there is a wider constituency to which the unions must appeal, is now accepted. A positive, united face for trade unionism, provided at Brighton against most predictions in the news media, is more likely to attract employees who are not interested in being union members than is the sight of unions presenting themselves, as they did at the 1984 and 1985 Congresses, as bitter, wrangling and embattled.

Evidence from public opinion polls, since the disastrous slump in the trade unionist vote for Labour at the last general election, suggests that a re-alliance with a changed Labour Party may help. All the more so perhaps if that alliance were on the terms suggested this week at Brighton by Mr Neil Kinnock (perhaps the first Labour leader who needs the unions less than they need him) — a relationship in which Labour's first interest is in, first commitment is to, the public, and not to the unions. That is, a national government.

This week marked the union acceptance of that new relationship, with the unions as the junior partner. Mr Willis is keen to insist, though, that it remains a partnership: "This has started to come through—not just 'shut up for Labour' but working together."

The general secretary has had a good week. He is pleased with the outcome—on all but the Wapping printworkers dispute, the TUC General Council line held—and is convinced it demonstrates the unions' fitness to play a social part once more. He told the Congress yesterday, in his final speech: "I believe that we have shown the vision, the opportunity, the strength to do our best for our people and for the country."

He thinks the successes of Brighton mark something deeper. Unemployment, for instance, after Mr Kinnock's speech this week, is identified as the Labour movement's real, almost its sole, target. Mr Willis said yesterday: "We have gone through a long period when people got angry with unemployment, then it got numb—now it's stirring again."

Other union leaders agree. "The atmosphere has undergone a massive change," says Mr Jimmy Knapp of the National Union of Railwaymen, summing up the week. "It has been a good week," says Mr Ron Todd of the Transport and General Workers. "It's been a marvellous TUC," says Ms Brenda Dean of Sogat, "both for the TUC itself and in the run-up to a general election."

Some outsiders are less sure. "The love-feast between the TUC and the Labour Party this week has served to obscure the real issues facing trade unionism for the rest of the decade," says Mr Ian Wriggles-worth, for the SDP-Liberal alliance. "There is obviously a feeling of moderation," says Mr Tom Peet, secretary of the Conservative trade unionists' group "a moderation that moves the unions towards Labour."

Fred Jarvis (left), Norman Willis (centre) and Jack Eccles: for Auld Lang Syne and an eye on the general election.

They see the TUC's shift this week, its re-alignment with the Kinnock Labour Party, as making their task more difficult. To some extent, the government agrees, but Mr Keneth Clarke, Employment Minister, who sporadically attended Congress like a spectre at the feast, believes that the policies adopted this week — especially on strike ballots, and a statutory mini-wage—will both provide valuable political ammunition for the government to hurl at the unions.

The Conservatives have found this latter development hard to achieve and Mr Clarke believes it is unlikely to advance Labour and the unions.

But he acknowledges what has been blazingly obvious at Brighton — "they have got their style right." He adds, though, that if they couldn't do so with a general election looming, then there was little hope for them.

Congress this year has been the most effectively stage-managed in recent times. The climax on Thursday was a dousing of the lights and the display on a huge screen of the TUC's new cinema advertisement on South Africa. Counterpoint synthesiser music set off the simple, potent image of a black baby and a white one playing together.

Old habits die hard, though: this spectacle was followed immediately by the less dramatic presentation of the TUC's annual accounts.

This much more positive presentation has been helped by the unusual, near unique fact that the events of interest took place inside the conference hall, rather than swirling outside it — no Scargill, or AEU-EETPU, sideshows this year.

Will it all work? Will the unity — hard won, harder still to sustain—count in favour of Labour and the unions, especially if the general election turns out to be nearer two years than a year away?

Mr George Bolton, vice-president of the National Union of Mineworkers in Scotland, is cautious: "There was a feeling running through the conference that the election is in the bag. That's not my view."

One early indication of the future was a poll yesterday for BBC TV. Apart from finding that 77 per cent of its sample thought Mr Willis's performance was good or average, it offered two conclusions.

First: that Mrs Margaret Thatcher's approach to the unions is still, easily, the most popular (45 per cent, with 29 per cent for Labour's style, and 18 per cent for that of the Alliance); second, that, despite this, the effect of the Congress seems to have been broadly neutral—to 43 per cent, the TUC this week had made no difference to whether they would vote Labour, while those who said it would make a difference (30 per cent) were roughly offset by those for whom it definitely would not (27 per cent).

Given the events of the last few years, a neutral TUC is probably the best both Labour and the unions could reasonably hope for.

Mr Ken Gill, a left-winger and general secretary of Tass, a manufacturing workers union, summed it up best yesterday after a week of deft chairmanship of Congress: "The hangman's noose tends to concentrate the mind. With the prospect of another term of Mrs Thatcher, I think the trade union movement is prepared to put up with almost anything, achieve any level of unity—and it's been a beautiful unity this week—to make sure that doesn't happen again."

WILLIS WARNS AGAINST 'CABINET MAKING'

AFTER A WEEK infused with talks of the unions' role in electing a Labour Government, a motion calling on unions to work for the return of Labour drew a critical response from Mr Norman Willis, general secretary.

The motion put forward by the furniture workers union STATU calls on trade unionists to work for the return of a Labour Government committed to implement Socialist policies decided by the party's conference. It also urges trade unions to affiliate to the Labour Party.

In typical style, Mr Willis warned the furniture makers against hasty "cabinet making." He said: "It would be wrong for the unions to appear to be too closely attached to the Labour Party."

"The motion talks of our need to support policies decided by the Labour Party conference. This is our congress, our parliament, we must give priority to our own positions rather than those decided at the Labour conference," Mr Willis said.

He also said that the recent political fund ballots had not been about affiliation to the Labour party. "It would be quite wrong for us at congress to pressurise unions to affiliate to the Labour Party," he said.

Nevertheless, Mr Willis recommended delegates to support the motion with these reservations in mind. Two unions voted against.

Motions against concentration in media ownership passed

THE CONGRESS overwhelmingly approved two motions calling on a future Labour government to act against the concentration of press and media ownership.

However, that seeking measures to ensure only UK citizens owned and controlled newspaper and broadcasting companies was passed only after a dispute between newspaper unions.

The motion was supported by Sogat '82 and the National Graphical Association, the print unions. It called on a next Labour Government to establish citizenship conditions for press and broadcasting ownership. It said the technological revolution in newspaper production was unlikely to cut costs, increase diversity and guarantee editorial freedom.

Ms Brenda Dean, the Sogat leader, moving the motion said the British press was a myth because most national newspapers were owned by non-UK citizens or companies registered abroad. She said that because the media had a powerful influence on public debate it was vital owners of newspapers and television stations show loyalty to the UK.

She said it was vital that a Labour governement strengthen the powers of the Monopolies and Mergers Commission and of the Press Council.

Mr John Ibbotson, of the NGA, said increased use of satellites would further the internationalisation of a press without national loyalties.

However, the print unions' focus on newspaper owners' nationality drew a sharp rebuke from Mr Jake Ecclestone of the National Union of Journalists. He told the Congress not to "snatch at superficially attractive solutions."

He asked: "Is the posturing of a British millionaire less offensive than that of a foreign millionaire like Mr Murdoch? Do workers laid off by a British millionaire feel better than those laid off by a foreign millionaire?"

Mr Ecclestone urged the Congress to support a policy which would limit concentration of ownership and establish a national printing corporation financed by a levy on advertising. He called for measures to guarantee right of reply.

Mr Tony Christopher, Inland Revenue Staff Federation leader, speaking for the general council, recommended that delegates accept the print unions' motion. He said: "Multinational newspaper ownership is demonstrably bad for the health of the nation's information supply, as is concentration of press ownership. We call on a sympathetic government to legislate against both."

Mr Christopher welcomed The Independent and News of Sunday newspaper to be launched soon. However, he told delegates that unions, in the preliminaries to the general election, would have to improve the way they presented their arguments through the established media.

The Congress also unanimously supported a motion against key recommendations made by the Peacock committee in its report on broadcasting.

Mr John Morton, of the Musicians' Union, who led this week's pool for general council membership, said deregulation and privatisation would lower broadcasting standards.

The motion opposed commercialisation of BBC Radios One and Two, proposals to give independent producers a larger role in BBC Television, and the committee's recommendation that the Independent Broadcasting Authority franchises be sold to the highest bidder.

OTHER LABOUR NEWS

ASTMS move on disputes ruling

BY HELEN HAGUE, LABOUR STAFF

THE WHITE COLLAR union ASTMS is seeking to challange a TUC disputes committee ruling on the long-running inter-union recognition battle at the Sun Alliance insurance group.

The company announced in March it was withdrawing recognition rights from the Banking, Insurance and Finance Union, with a view to giving ASTMS sole collective bargaining rights.

Under TUC principles aimed at regulating the spread of single union agreements, no union is allowed to sign a deal which would deprive a fellow TUC affiliate of existing recognition rights.

Thet latest disputes committee award on the case ruled that ASTMS should stop holding informal discussions with the company. In addition it should meet the company with Bifu representatives in the next three weeks to press the case for joint recognition.

Lady Muriel Turner, ASTMS assistant general secretary, has written to the TUC asking the committee to reconvene and reconsider its decision. "We believe the committee has over stepped its powers in this case. It seems to us quite unprecedented for a union to be told it cannot represent its members unless it has pressed an employer to recognise another union as well."

Mr Leif Mills, general secretary of Bifu, has made clear he will call for ASTMS to be investigated under the TUC's disciplinary Rule 13 if the union has not complied with the ruling by September 24 when the TUC General Council is scheduled to meet.

Failure to comply with a disputes committee award is likely to be deemed conduct detrimental to the trade union movement and could lead to suspension.

Sun Alliance took over Phoenix Assurance two years ago where Bifu had sole bargaining rights. Sun Alliance's in-house staff association, was the only body recognised for collective bargaining purposes at Sun Alliance before the takeover. Its members voted earlier this year to become part of ASTMS, and now form their own section of the union.

Workers' consultation rights supported

BY HELEN HAGUE, LABOUR STAFF

THE CASE for a Employee Protection Bill to give workers increased consulation rights in company mergers and takeovers is argued in a pamphlet issued by ASTMS.

It says companies should have to demonstrate that a proposed change-of-ownership is in the public interest. A wider definition of this — to include a direct interests — forms a crucial plank of the ASTMS proposals.

It includes a call for reform of the Office of Fair Trading and the Monopolies and Mergers Commission, to ensure that covert political pressure is not exerted to give planned takeovers the go ahead.

This would include increased trade union representation on

In a foreword to the pamphlet, Mr Clive Jenkins, the ASTMS General Secretary, accuses both industry and investment institutions of concentrating on short term profit-taking rather than investment in long term strength, in the current spate of mergers.

Whose Anatomy of Britain 1987 . . . Sold to the Highest Bidder? ASTMS, 79 Camden Road, London NW1.

Industry's 'failure to innovate' criticised

THE SHORTFALL in research and development spending and the failure of industry to innovate were attacked at Congress.

Delegates backed a call for the Government to expand civil research expenditure and to set up a national research and development fund, which should extend to nationalised industries.

Congress also called for the establishment of an agency to monitor development, chart the progress of innovations that result from the fund's spending, and to ensure that the necessary development finance is made available for commercial developments.

Mr Roy Evans, general secretary of the ISTC steelworkers' union, said UK industry had failed badly to allocate adequate resources to research and development.

In addition to increased spending, a mechanism was proposed to ensure that innovations were translated into marketable products.

The composite motion on research and development also called for a substantial increase in the country's output of qualified engineers, technologists and scientists.

● A suggestion that public sector workers displaced by new technology should be deployed to improve public services received unanimous backing.

Mrs Veronica Bayne, a CPSA delegate, said new technology should not be used to axe thousands of office jobs, but should be used as a springboard for stepping up the quality of services to the public.

Knitwear company announces job cuts

THE Nottingham based knitwear company Meridian has announced 245 redundancies. It blamed strong competition from cheap imports and a fall in demand.

About 170 of the job losses will come from the closure of a knitwear factory at Redcliffe Road, Mansfield, with the remaining redundancies made up of cuts at factories at Carlton, Nottingham, and Haydon Road, Nottingham.

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Cash strong, orders weak

IF YOU look only at the plus and minus signs, it is easy enough to justify Mr Nigel Lawson's confidence that the world economy is improving after its pause over last winter.

In Europe there is quite a satisfactory rebound from a very weak first quarter; in Britain the recovery is limited to exports and retail sales, but in France, Italy and specially in Germany the recovery is broader and stronger. In the US, order books and employment look bullish. The newly industrialised countries are booming, and only Japan in the developed world seems to be sharing the recession which the commodity producers are still suffering. The consensus forecast that lower input prices would boost advanced economies through higher real incomes looks justifiable.

However, once these trends are described in numbers rather than words, they look a great deal less impressive. Germany, now leading the recovery, looks for 3 per cent growth this year and perhaps a little more next; *but this comes after three years* of below-trend growth. In the rest of Europe the prospect is considerably less exciting even than that.

In the US, defence spending is the main stimulant at the moment, which is unpromising for the long run, since it will make the deficit problems still worse. Housebuilding and consumer spending are faltering, and exports still flat despite the dollar devaluation. Japan is now in actual recession, which is beginning to reduce consumer incomes and employment. Internationally, growth forecasts are being revised down, not up.

Trade puzzle

Some of the alibis now being claimed by the forecasters do not increase confidence in their projections. They were taken by surprise, they say, by the heavy fall in energy-created investment; they had no business to be. They are puzdled by persistently high real interest rates; but these are a normal feature of disinflation. Good forecasters should be able to see clouds as well as silver linings.

Recently, however, some more interesting puzzles have *come to light. One is that* nearly all developed countries report the same picture of international trade: their imports are rising rapidly in volume—by more than 10 per cent in the US, for example — while exports are flat. This, it is said, explains why output is flat in spite of rising consumption.

Where do these imports come from? Part of the answer is to be found in oil stockbuilding after the price collapse, part in the booming exports of countries like Korea, whose currencies have gone down with the dollar. None of this augurs well for the developed countries, since oil restocking is a temporary boost to demand, and Asian competition a long-term challenge to Western production.

However, some analysts argue that these factors could *only depress growth in the* developed countries by one percentage point or so, while in many countries — notably France, but also Britain, Germany and especially the US, the gap seems much bigger than that. It seems possible that exports, especially from countries with strong currencies, are higher than reported in volume terms, because prices are being discounted more heavily than trade *officials* realise.

Some such error would help to explain another puzzle. Despite flat reported sales and tough competitive conditions, corporate profits, and especially corporate cash flow, are very strong—even in Britain, where surveys of industrial opinion appear so gloomy—though not in Japan, which has acute adjustment problems of its own. Furthermore, stock market analysts in New York believe that the profit recovery is understated: depreciation is being charged at rates which reflect the hard lessons of an inflationary era. If cash flow is the more reliable guide, the corporate recovery has never much paused.

This brings us to the final paradox: the persistent strength of world stockmarkets despite drab economic performance and a hardly exciting economic prospect. This seems justified against cash flow, and is part of the rise in financial asset values which is itself now one of the strongest bull points for forecasters. Strong markets mean strong forward indicators because they support strong consumer spending.

If stock market optimism is well founded, then the Chancellor could yet prove a good forecaster, for it means that strong corporate cashflow can sustain demand even if the cash is not distributed, and may not be spent on new plant for some time yet. It supports the consumer credit boom, which looks very vulnerable if it is measured against income, but perfectly manageable if measured against *consumers' assets.*

However, there is a hidden danger in this picture. So far as asset values reflect corporate prospects, it is safe; but so far as they reflect unusually faster monetary expansion fuelling speculation, the prospect is very vulnerable. A major shake-out in the financial markets would deflate the economy, just as the fall in land prices has deflated *all the industries which supply* farmers. If the futures does not live up to Mr Lawson's expectations, more than Conservative election hopes will be threatened.

THE HUNT BROTHERS

How to lose $10bn . . .

By William Hall in New York

NELSON BUNKER HUNT, the 60-year- old oil tycoon and leader of Texas's legendary Hunt family, used to say that "people who know how much they are worth generally are not worth much." It is a saying that has come to haunt him and his brothers this week as they struggle to prevent the family's bankers seizing the remains of what was until recently one of the world's great fortunes.

Not so long ago, Bunker Hunt's bankers did not bother to ask how much the Hunt family was worth. No bank *had ever lost any money* dealing with the Hunts and none ever would, was the ritual Hunt reply on the rare occasion a banker dared ask the question. Nowadays, their bankers are unhappily aware that no one, perhaps not even the brothers themselves, could possibly provide such an answer.

Just seven years ago, Bunker Hunt's branch of the family was sitting on a fortune of well over $10bn which put them on a par with the wealthiest Saudi Arabian princes. By last year this had shrunk to around $2.5bn and given the sharp drop in oil prices over the last year (the family's fortune was built on oil), it is considerably less today. This is far from comforting news for the galaxy of international banks, ranging from Citibank and Bank of *America to National* Westminster and the Bank of Scotland, whose efforts to recoup the $1.5bn they are owed by the Hunts moved into top gear last week.

Like everything else about the Hunts, their latest battle with the banking and legal establishment is being played out on a grand scale with no holds barred. The dramatic behind - the - scenes legal manouevring of the past few weeks would make even J. R. Ewing, the star of the Dallas TV series, think twice about tangling with them. When it comes to gambling with the family fortune, the Hunts play for very high stakes.

The first signs that the family's serious financial problems were coming to a head became apparent earlier this summer when the Hunts launched a $3.6bn lawsuit against their bankers, accusing them of trying to "dismantle and destroy" the family's business empire. But this pre-emptive strike failed to slow the banks' efforts to foreclose on the Hunts' properties, and Placid Oil, which has assets of over $2bn and is the jewel in the Hunt crown, last week filed for protection under chapter XI of the US bankruptcy code. It was one of the biggest bankruptcies in recent memory. The family-owned Penrod, one of the world's biggest offshore drilling contractors is also facing serious financial problems.

For most of the week, Bunker Hunt and his two younger brothers — Herbert and Lamar —have been locked in emergency meetings with an army of advisers at Placid's thanksgiving tower headquarters in Dallas in a desperate bid to put more distance between themselves and the banks which are trying to foreclose on most of their assets after they defaulted on over $1bn of loans earlier this year.

Their efforts to delay the bankruptcy proceedings, by switching the venue to New Orleans suffered a serious blow on Thursday when Judge Barefoot ordered the brothers to transfer the case back to Placid's home town of Dallas.

The Hunts' bankers believe that by getting the case heard in Dallas a bankruptcy reorganisation can be executed more speedily. The Hunts, however, believe that the longer they can delay the banks from foreclosing on their sprawling empire the more chance there is that something will turn up *to save the family fortune.*

The Hunts are hardly the first of the Texas Oil tycoons to have been hit by the oil industry slump. The Murchison family, old enemies of the Hunts, filed for bankruptcy last year. John Connally, a former Governor of Texas and Treasury Secretary in the Nixon Administration and an old friend of the Hunt Brothers, has suffered serious financial problems with his own oil investments.

However, the Hunts' financial problems are on a scale of their own, even by Texas standards. Mr Harry Hurt III, a biographer of the Hunt family, describes the decline in the family fortune as "the most monumental financial reversal in modern American business history.

"It is also the collapse of Texas's greatest and most mythic family. The fact that the Hunts have declared bankruptcy is to Texas the equivalent of the Rockefeller family declaring bankruptcy in New York," says Mr Hurt, author of Texas Rich.

Dr Allen Coleman, Professor of Banking at Dallas' Southern Methodist University, says that he cannot think of any parallel in modern history "of such great wealth being dissipated on such a grand scale—in such a short time frame." Mr Jerome Tucille, another Hunt biographer, is more blunt in his assessment of Bunker's Hunt's stewardship of the family fortune: "Usually it takes a family about three generations to destroy the old man's fortune. In this case it is all happening in one generation," he says. "It is going to take a long time before the final chapter is written, but I think it is the beginning of the end for the Hunts."

Mr Tucille, who published Kingdom: the Story of the Hunt Family of Texas, two years ago, likens the Hunt family to "an ageing prize fighter hanging on the ropes." He believes that they are destined to lose their cat-and-mouse skirmishes with their bankers. "The Hunts do not have any leverage any more," he says.

This was not always the ease, and Bunker Hunt's father, Haroldson Lafayette Hunt, would squirm in his grave if he could see what has happened to his empire in the 12 years since he died. Mr Robert Anderson, the recently retired chairman of Arco, describes H. L. Hunt as one of the "fast movers" who along with men like Harry Sinclair made their fortunes in the East Texas oil boom of the 1930s.

This is rather a polite interpretation of Mr Hunt's early business career. He first made his mark as a professional gambler, known as Arkansas Slim, and used to boast that he was the world's best poker player. In 1930 he bought his way into the fabulously rch East Texas oilfield although C.M. "Dad" Joiner, the oil man who first discovered the field, always insisted that he had been cheated by H.L.

The East Texas field formed the basis of the Hunts oil empire and five years after H.L. had done his deal wth "Dad" Joiner, he transferred the best of his properties to the newly created Placid Oil company which was owned by the trusts of the members of his rapidly growing family. Being a superstitious man he thought he would be lucky if he ensured that the names of his companies began with the letter P and contained six letters.

Soon Mr Hunt had set up Penrod, to drill for oil, and was refining his oil through his parade refineries and transporting it through his paloma pipelines. By the early 1950s his fortune was estimated at $2bn and J. Paul Getty, another legendary oil man, gave H.L. the ultimate accolade when he told a reporter that "in terms of independent wealth, there is only one man, H. L. Hunt."

H. L. Hunt was a larger-than-life figure. Apart from being the richest man in the world, he was a bigamist who was convinced that he had a "genius gene" that he should pass along to future generations.

Like his legendary father, Bunker Hunt is both paranoic and a natural gambler. The big difference is that, over the last few years, he has lacked his father's luck. This was not true in his early years, however, when he seemed to be moving from strength to strength.

Harry Hurt describes Bunker as "looking like a beardless Burl Ives and acting like a cross between King Midas and the absent-minded professor." In the 1960s Bunker moved into Libya and was initially very successful. Although, his interests were later nationalised the Hunt family's oil businesses prospered in the early 1970s.

However, this period marked the high point of the family's fortunes and since then Bunker Hunt and his brothers have proved remarkably accident prone.

Their biggest gamble was on the silver market in the 1970s, where in partnership with some wealthy Arabs, the brothers tried to corner the market by amassing about half of the world's deliverable silver. Initially, they were very successful and the silver price shot up from $6 an ounce to $50 an ounce in less than a year.

However, in the opening months of 1980, the price began to slide and on March 27 of that year, the Hunts were unable to meet their margin calls and had to be bailed out by their bankers, who secured $1.1bn in loans with the assets of Placid, the most valuable of the Hunt companies.

Harry Hurt notes in his book that the list of the security pledged by the brothers "read like the inventory of an emperor's treasure chest."

While silver was the Hunt's most publicised disaster, it was not the only area in which the brothers gambled heavily and lost. Also in the 1970s they tried to corner the US soyabean market and were reprimanded by the authorities for their efforts. Their venture into sugar, via the purchase of Great Western Sugar, the biggest US refiner, was even more unsuccessful. Hunt I nternational Resources, the succesor to Great Western, filed for bankruptcy in March 1985.

Bunker Hunt shared his father's distrust of big government and paper currencies. "The old man never believed in paper currencies. He thought America was going to suffer the same sort of hyperinflation as Weimar Germany," says Jerome Tucille. The Hunts' ill-fated investment strategy reflects the "Domesday Philosophy" which inspired their apocalyptic view of the world.

"The Hunts were betting on disaster back in the 1970s and early 1980s," says Mr Hurt. "They invested in real estate, oil, collectables and most prominently, in silver. The apocalypse did not come. The oil market has crashed. The silver market has crashed, and now it appears the Hunts are crashing too."

Dr Coleman of Dallas' Southern Methodist University is more sympathetic than most observers about the Hunt's bizarre investment strategies. "They are intelligent people who got themselves persuaded by 1980 that inflation was permanently here to stay. They extrapolated all those curves for 15 years between 1965 and 1980 and if they made a fatal error it was to lay a ruler on a set of trends and not recognise an old principal that nothing is for ever."

Bunker Hunt: described once as "looking like a beardless Burl Ives and acting like a cross between King Midas and the absent-minded professor."

THE KEY DATES

November 1974: H. L. Hunt dies aged 85. Sons buy Great Western United, the biggest US sugar refiner.
Spring, 1977: Hunts reprimanded by regulators after buying close to one-third of US soyabean supply.
October, 1977: Great Western bids for Sunshine Mining, a leading US silver producer.
December, 1979: *Hunt family, and Arab partners, amass close to 200m ounces of silver, worth an estimated $6.6bn*
January, 1980: Silver prices hit a peak of just over $50 an ounce, compared with $6 less than a year before.
March, 1980: Silver prices plummet.
April, 1980: Hunts say they lost up to $1bn on silver speculation but combined net worth remains between $5bn and $6bn.
May, 1980: Major banks agree to lend Placid $1.1bn.
March, 1985: Hunt International Resources, parent of the sugar refining business, files for bankruptcy.
October, 1985: Hunts dispose of the last of their silver, pushing estimated losses on their silver adventure to over $1bn.
March, 1986: Placid defaults on loan.
April, 1986: Banks reject proposed restructuring plan.
May, 1986: Penrod misses interest payment.
June, 1986: Banks reject second restructuring plan. Hunts sue banks for $3.6bn.
August, 1986: Placid Oil files for chapter XI bankruptcy.

Man in the News

Fred Jarvis

Congress picks an unlikely winner

By David Brindle

AS HE is known as a dab hand at tipping horses, it is well worth noting that Fred Jarvis fancies an early general election.

"*This could well be the last* Congress before the election and we have got to be ready for it," the National Union of Teachers' general secretary said this week at the Trades Union Congress in Brighton where he was yesterday confirmed as TUC president and chairman of its general council for the coming 12 months.

If his hunch is right, president Jarvis will be in the forefront of the TUC's drive to win the return of a Labour government. As delegates left Brighton yesterday, following what has been widely regarded as "a good Congress," there was optimism that this goal seemed markedly more achievable than it had five days earlier amid fears of conference bloodletting.

For Mr Jarvis, though, the role of *primus inter pares* in a union movement on an election footing might at first seem inappropriate: unlike most of the big unions, the NUT is not affiliated to the Labour Party and many of its 207,000 members can be assumed to be Conservative or SDP/Liberal/Alliance voters.

The TUC president, himself a Labour Party member, shrugs off such niceties. He will, he says unhesitatingly, be representing an overtly pro-Labour movement rather than a single neutral union. "My own members will understand; in that capacity I act on behalf of decisions taken by the majority."

He believes the only possible conflict of interest would come in the event of an election being called, when his political profile would be so high that he would temporarily relinquish his NUT post.

This apart, the choice of Mr Jarvis as TUC president seems in two respects fitting. First, it reflects the shift of influence within the TUC towards the public sector and white-collar unions which have been relatively cocooned from the icy blast of recession.

At Brighton this week, for example, the National Union of Public Employees finally wore *down the manufacturing* unions' long-term resistance to the concept of a statutory national minimum wage, and the National and Local Government Officers' Association was pivotal on key issues such as nuclear power.

Second, Mr Jarvis's appointment comes at a time when the teaching unions both in England and Wales and in Scotland *stand on the brinch of* achieving what will almost certainly be the best pay deals won by industrial action under the Thatcher government. The Government-appointed Main inquiry, about to report on the pay of Scottish teachers, seems bound to propose terms close to the costly salary restructuring agreed in outline south of the border.

The pay campaigns, waged for more than a year in British schools, earned the teachers *overdue respect* within the TUC and were the envy of traditionally more militant unions whose members these days refuse to be galvanised into action.

The Government often appears to hold Mr Jarvis personally culpable for the disruption of education. It has, for instance, vetoed his reappointment this month by the TUC to the EEC *Economic and* Social Committee — although seven other TUC nominees have been approved.

To be sure, his was the face most familiar during the dispute, captured typically emerging from late night talks with an encyclopaedic stack of chaotic hand-written notes from which he had just delivered another tirade against the employers.

His oratorial style is notoriously long-winded *and inflammatory.* At Congress this week, he was again warning of "an explosion in the schools" (one of his hardy annual catchphrases) if the Government failed to fund the salary restructuring deal.

However, it would be wrong to see Mr Jarvis as solely responsible for the militancy of teachers: John Pollock, the *astute general secretary of the* big Scottish teachers' union EIS, led the unions into action and Doug McAvoy, Mr Jarvis's deputy at the NUT, has generally been regarded as the hard man at Hamilton House, the union's London headquarters.

Mr Jarvis, indeed, has taken no real part in the salary and contract negotiations this summer, he took himself off to holiday in France, as is his custom, leaving Mr McAvoy to clinch the outline deal in four-day talks in Coventry.

Such behaviour has prompted speculation that Mr Jarvis, who *will be 62 on Monday, will retire* after his year in the TUC limelight — speculation he flatly denies.

He will, he insists, retire at 65 when he will have completed 14 years as NUT general secretary. He has worked for the union since 1955, before which he was president of the National Union of Students after reading as a mature student for a PPE degree at Oxford.

Having humble East London origins (he still avidly supports West Ham Fotball Club) Mr Jarvis has been a committed middle-of-the-road socialist most of his life, standing unsuccessfully for the Merseyside parliamentary seat of Wallasey in 1951 and defeating Communist influence in the NUS.

His wife, Anne, who is a member of the NUT executive, is considered politically to his left. Unlike her, he has never been a teacher — a handicap in NUT terms, but one he has successfully overcome.

Speaking to Congress this week as chairman of the TUC education and training committee—he also chairs its local government committee — Mr Jarvis gave a broad hint that he will make training and skills a principal theme of his presidency.

He said: "Most countries spend 1 to 2 per cent of company turnover on training. We don't even spend a fifth of that. The result is lost skills, declining industries, falling output and low wages. We must change that."

The TUC, he believes, is at last in good shape to tackle such issues. Like many other delegates, he feels the Brighton Congress was the best for years in terms of the quality of debate, presentation and, above all, unity.

"Even where there were differences, as over nuclear power, there was no rancour" says Mr Jarvis. "That to me marks a significant change that has got to be very encouraging for the next 12 months."

Nora Boustany, normally based in Beirut, reports on a week in Libya

Poorer but still, it seems, loyal

IT WAS with rhythmic folklore dances, danga drums and a vision of galloping horses mounted by Libyans in flowing white robes that Col Muammer Gadaffi re-emerged in public this week after months of quiet contemplation following the US air raid in April.

With four major appearances amid throngs of cheering Libyans, not to mention his performance at the non-aligned summit in Harare, Col Gadaffi managed, on the surface at least, to undermine Washington-centred speculation that his days are numbered. He is, says one foreign observer in Tripoli, "a man who thrives on crises and challenges."

The pomp and ceremony accompanying the 17th anniversary of the September 1 revolution, which brought Col Gadaffi to power, contrasted sharply with his low profile since the raid.

Although most Gadaffi-watchers in Tripoli think theories of internal revolt are exaggerated, they do contain a measure of truth. The American raid has affected morale and prompted Libyan nationals to say openly that despite all their sacrifices and heavy military spending (40 per cent of total national outlays) they were alarmed at the lack of air defences when the US bombers struck.

"In the eyes of the population, Gadaffi knew he was no longer an immortal prophet or invincible leader. During the raid, Libyans discovered fear and for many days Libyan friends complained they could not sleep at night," says one resident of Tripoli.

So this week's shows look like an effort to restore the leader's own self-confidence and to reassure a frightened population. He dusted off the old slogans and unleashed a torrent of insults against the United States, arguing that it was President Reagan, "Israel's mad dog," who was isolated in the world community, not Col Gadaffi.

In a three-hour speech in the palm-lined green square overlooking Tripoli Harbour, strung with luminous coloured bulbs for the occasion, Col Gadaffi's audience got both fulminating rhetoric and careful trade statistics, designed to convince Libyans that Europe cannot afford sanctions against their country.

It is extremely difficult, even for experienced diplomats, to gauge the strength of Col Gadaffi's position.

There is a continuous flow of rumours in Tripoli that dissidents are coming to Libyan shores in zodiac boats, distributing pamphlets overnight. But no diplomat has yet seen such material. An officer from the revolutionary committees was found hacked to death in Benghazi two weeks ago, two revolutionary committee members were found shot dead in the town of Zawiya near Tripoli and an unexplained bomb in Benghazi, which did not kill anyone, are also unconfirmed reports. To the eyes of a hardened Beirut observer, these incidents, if true, are hardly conclusive proof of instability.

Col. Muammer Gadaffi, the Libyan leader.

The revolutionary committees, grouping some 50,000 members throughout the country, are said to be gaining influence and control at the expense of the army and the state bureaucracies as well as the people's congresses.

Many diplomats predict a radicalisation of the revolutionary committees. The committee members' main function is to preserve the ideals of Col Gadaffi's revolution and to "observe and inform" on violations. But hand-in-hand with the expected hardening stance of the committees is mounting popular resentment against the restrictions they impose.

These impositions range from the bizarre to the dangerous. The Arabic names of months have been changed this year in the Libyan calendar, with April renamed birds. August, Hannibal: June, summer and December, fire. A campaign is underway to discourage people from wearing ties and in May Col Gadaffi suggested that the Libyan dinar should be eliminated and all transactions carried out by bartering home-made products. Impressed by the idea, some revolutionary members apparently wanted to burn down the central bank, until Col Gadaffi's No. 2, Abdel Salam Jalloud, intervened. But this again is a story impossible to confirm at first hand.

Perhaps more significantly, Mr Jalloud, though loyal to Col Gadaffi, is said to differ from him on economic policy. Mr Jalloud is thought to favour fewer restrictions on foreign imports for example. And there is no doubting Libya's economic difficulties. Declining oil revenues and the freezing of some of Libya's assets in American banks caused Col Gadaffi to call for an austerity drive. Libyan oil production was put at 1.1m barrels a day last month. "Last year, with each sunset, Libya made some $34m in oil revenue; now with falling prices and output it makes $15m a day. This is Libya's crisis, not politics," says one Arab diplomat. Economists note that the impact of this has yet to be felt. Libya has managed to boost its reserves to $7bn, which could be explained by delayed payments to foreign companies working on development projects. Diplomats in Tripoli put per capita income in Libya at $10,000 a year, which remains the highest in Africa. Col Gadaffi's pet projects, however, continue to go ahead. One is the man-made industrial river, which should help draw water from central Libya to Benghazi and down to the Sirte desert. The cost has been estimated at $3.3bn for the first stage only.

But despite shortages in food and economic hardships, Col Gadaffi has been careful not to borrow from international lenders and so restrict his political manoeuvrability.

Again, the scale of economic hardship must be put in context. Libyans enjoy free housing and medical care, but they lack spare parts for machinery and some report unpredictable wage cuts. A secretary complained to a visting foreign businessman recently that her salary had been gradually cut from 200 dinars a month (one dinar is equal to $3 at the official rate): she now makes 165 dinars, and is told the balance has been appropriated for health taxation.

"It is only the economic riches that helped set up the Jamahiriya. People were satisfied and they played along with Gadaffi's many games. Now the scarcity of that same wealth may foment dissension," says one North African specialist. "This is the Achilles heel of Libya."

In a televised *fireside chat* one week ago, Col Gadaffi complained that he had "not yet succeeded in making his revolution complete." Analysts took this as a veiled admission that his strange mix of desert values, spartan ways and modern socialism were not palatable to everyone. In his September 1 speech, he told Libyans not to wish they had sweets because they already had dates, which did not exist in Europe. The Government has however quietly allowed a black market to prosper on the fringes of Tripoli in a bid to improve food supplies. But apart from the small farmers selling their goods on sideroads, there is little, if any, private initiative.

Tripoli's old souk is mostly closed, and shopowners would much rather retire to the countryside than carry out the maxim of "partners not wage-earners" which means they cannot hire any worker without making him a full 50 per cent partner, unless he is a family member.

But it would be rash to predict revolt. In Libya there is no organised party or movement that could unleash a counter-revolution.

Disaffection in the ranks of the armed forces is muted by a built-in system of close surveillance by the revolutionary committees. The army is said to be short of ammunition, and senior officers have been heard to express shock at their inability to reply to the US raid. The command centre of the armed forces, even that of the navy, has been moved to the remote desert town of Hun, 300 kilometres south-east of Tripoli where there is no adequate housing, water supply, telephones or electricity. Many generals have been demoted to the rank of colonel; even General Abu Bakr Younis Jaber, the chief of staff, suffered this fate two weeks ago.

Though a military takeover would be plausible in some other countries, observers in Tripoli think Gadaffi has probably neutralised potential opposition.

All that can be said with certainty, though, is that Libya's future continues to depend upon Col Gadaffi. He is a slave of a system he has institutionalised. The revolution in Libya exists because he feeds it.

Until the Libyan people's awareness is captured by someone else, Col Gadaffi will remain the country's uncontested leader. The close ring of strongmen around him, such as Jalloud, Younis Jaber, Mustpha al Kharroubi and Khweiled al Hamidi came to power with him and probably cannot afford to oppose him.

Computer fraud

Password to theft

By Alan Cane

PRUDENTIAL-BACHE, security experts agreed this week, had a very lucky escape. The US investment bank told the story of how a last-minute check prevented a fraudulent bid to steal electronically £5.7m of Eurobonds from London via a Swiss bank account.

It was just the latest in a long line of stories about computer fraud—a crime which can take place at the speed of light. The computer "hacker"—capable of penetrating banks' deepest secrets—has become a stock figure in the crime reporter's landscape.

The other thing everyone is agreed on is that Pru Bache performed a signal public service by alerting the City of London Fraud Squad and making known its discomfiture. The history of electronic fraud detection has been blighted by companies unwilling to admit they have been swindled electronically for fear of losing face and customers' trust.

The result has been confusion and a kind of security never-never-land where, according to Mr Andrew Oakley, a partner in the accountancy firm Ernst and Whinney and chairman of the Institute of Chartered Accountants' information technology group, senior executives close their eyes to the threat, hoping that it either will not affect them or that they can insure against it.

"The nature of the problem in the finance industry is not yet properly understood," he argues. "We do not yet have a proper method of evaluating the risk."

His group's working party is expected to report within the next three months on ways of evaluating the risks inherent in electronic funds transfer.

Everybody agrees, however, that the risks of fraud and — perhaps even more significant — malicious damage associated with computerised financial transaction systems are substantial.

Mr John High, computer services partner in the consultancy Deloitte Haskins & Sells, says he is aware of four more fraud investigations now in progress, each involving at least as much as the Pru-Bache case.

"It is a severe problem because the sums involved are so large," he says. "Many companies are vulnerable to this kind of fraud."

Should, therefore, senior executives in financial services companies which rely heavily on computers (and that means virtually all of them) be lying awake at night worrying about their security?

"With the likely state of most of their systems, the answer must be yes," says Dr Geoffrey Forage of consultants Arthur Young, chairman of the Computing Services Association group on security.

The likely extent of computer related fraud in the UK has been estimated by Dr K. K. Wong of BIS Systems' security division who has over the past few years documented some 190 cases of computer crime. He *puts the annual total loss at a* minimum of £25m-£30m.

Fraud involving electronics funds transfer is almost always an "inside job." Det Insp John Austin, computer fraud investigator for London's Metropolitan Police, says that some 90 per cent of the frauds he has investigated involved people with inside knowledge, often disgruntled employees able, through lax supervision, to manipulate messages fed into the computer.

"The expenditure on protecting a system should relate to the value a company places on the information in that system."

One stumbling block seems to be a lack of awareness, particularly on the part of older, senior managers, that an electronic financial message is simply a new form of cash. "It is real money," Det Insp Austin says, "even if it is travelling as a stream of electronic digits."

It may be some consolation to those managers that most computer scams are just old-fashioned frauds exploiting the speed and convenience of funds transfer networks. The whizz-kid hacker so beloved of the tabloids, using incredible technical knowledge to get inside secure computer systems, is a myth.

Hackers get inside systems because they get hold of passwords—and humans, being human, are careless about password control.

In other words, the thieves get hold of the key to the cash box, left carelessly unguarded rather than pick a lock with superhuman skill. This was the case in the Pru-Bache incident.

So password management should be top of the list of security requirements for any firm concerned about the safety of its financial transmissions. Unfortunately, the rewards—millions rather than thousands of dollars—to fraudsters are so great that senior and trusted staff who would otherwise be above all suspicion of dipping their fingers in the till can be tempted.

Insp Austin says his team is seeing a new kind of fraudster—young, well-educated, computer-literate, and with no previous criminal record.

"People like that working with computer systems can get bored and start to experiment. And when they experiment they can find out all sorts of things," he warns.

At least two passwords should be mandatory for all *transactions*, therefore. The Pru-Bache system originally used only one and several members of staff knew it.

Further refinement can involve changing passwords and the staff members authorised to use the passwords frequently to hinder collusion.

It also helps if password security is designed into a system from the beginning rather than tacked on expensively at the end. But, most computer specialists agree, financial transaction systems are remarkably complicated to construct simply to meet their design objectives, let alone take in several levels of security.

In the long run, it all comes down to eternal vigilance. Dr Karl Hammer, computer industry doyen and for many years Sperry's chief scientist, was never in any doubt about the answer.

Natural justice would have to be turned on its head for people working with such systems, he argued a decade ago. They would be judged guilty of operating their computers to their own advantage and to their employer's disadvantage unless they could prove on a daily basis that they were innocent of misdeed. Dr Hammer's draconian prophecy may yet prove close to the mark.

Letters to the Editor

Imagination at the BBC

From Mr P. McGregor

Sir,—I frequently find myself in disagreement with Samuel Brittan, and it did not surprise me that I could not agree with any of his choices (September 2) of BBC chairmen to fill the gap caused by Stuart Young's sad death.

But with Mr Brittan's recent experience I was somewhat surprised at the lack of imagination in his "really imaginative choice" of Peter Jay. Surely the *really* imaginative choice would be Professor Alan Peacock, if he could be persuaded to do it.

Peter McGregor.
Troutstream Way,
Loudwater, Herts.

Unemployment figures

From the Director,
Aims of Industry

Sir,—The anguished reply by Mr Douglas Hamilton (September 1) to Mr McKinnon's assertion that our unemployment figures are overstated, shows how difficult—and how important—it is for the facts to be made clear.

There are, of course, large numbers of unemployed. Many, as Mr Hamilton has cited, in the west Midlands. But there are also many who draw unemployment pay while doing jobs, self-employed or otherwise. I have just spoken to one London *employer who has been* experiencing great difficulty in filling vacancies: he receives telephone calls from applicants asking if the jobs advertised are "on the record." When the answer is "yes," the telephone is put down.

We must also look at the vacancy statistics. They are based on vacancies reported to Job Centres multiplied by three, because the Department of Employment knows that most companies do not report vacancies to Job Centres.

The vacancy figures are therefore, not only inaccurate, but wildly understate the jobs available. And those vacancies will not be filled until we scrap restrictive rent legislation so that job seekers can become more mobile.

Michael Ivens,
40 Doughty Street, WC1.

Company law confusions

From Mr R. Butterworth

Sir,—I sympathise with Mr Theobald's predicament (September 2). The proliferation of new statutes concerning company law and the inter-relation of new law and pure consolidating statutes are indeed confusing.

The Insolvency Act 1985 consisted of new law. That Act (before being fully brought into force) is now being entirely repealed and replaced by the Insolvency Act 1986 and a separate shorter Act, both being consolidating Acts.

The Companies Act 1948 was a consolidating Act and, though amended in 1967, 1976, 1980 and 1981, survived until the consolidating Companies Act 1985. That Act has been heavily amended by Insolvency Acts in 1985 and 1986 and will be further amended by the Financial Service Act 1986 (when passed). Perhaps it is now already time for a new consolidating Companies Act!

The only practical source of law for the practitioner is the commercially produced texts, in so far as these cover the field, which show Acts as amended. It would indeed be preferable if Parliament enacted a comprehensive companies code divided and numbered under subject headings. Piecemeal amendments need not then alter the sequential numbering throughout the whole code.

Roger H. Butterworth.
14, Dominion St, EC2.

Regulating UK accountants

From Mr T. Hibbert

Sir, — I must disagree with Mr James Geddes (September 1) regarding "Regulating UK accountants". He sees every justification for accountants acting as auditors as well as management consultants to client companies.

This must surely be regarded as a most serious development as the independence of the auditors would be totally undermined.

If the accountants were acting for the management of the business, they would be guided by the management of it and this would inevitably result in decisions bein gtaken on commercial grounds.

The auditor's role is that of safeguarding the interests of the shareholders, creditors, and employees alike, and it is misguided to suggest that a dual role can be advantageous to those to whom they are answerable.

T. N. Hibbert,
51a St Paul's Street,
Leeds, Yorkshire.

Damp squib of a threat

From Mr R. W. Fuller

Sir, — It was interesting to read in last Saturday's Financial Times of the representative of the issuing house for Yorkshire TV threatening the "stags" with dire penalties while probably his directors were congratulating themselves on the massive over-subscription.

Surely if the issuing houses were genuine in their efforts to restrain unlimited stagging they would accept only postal applications and cash all cheques as received.

One would have thought the City would have outgrown the custom of accepting last-minute applications by hand; the unruly scrum of rabid speculators hardly reflects the image it seeks to project before "Big Bang." That, if other customs similar to this exist, will be, at least to investors, a damp squib.

R. W. Fuller,
8 Lancing Court,
Crawley Road, Horsham,
W. Sussex.

TSB needs no underwriting

From Mr G. Gardiner

Sir,—Your report that the TSB issue is to be underwritten is scarcely credible. What logical reason can support the decision?

Barclays Bank and National Westminster Bank have both raised very large sums without underwriting. Admittedly their published reasons for failing to underwrite were spurious. They said that because the issues were priced well below the *current quotation underwriting was* unnecessary. Psychologically this was true, but the fact that a rights issue is made on bonus terms is not a rational reason for supporting it. That should be decided by the prospective earnings and dividend yield on the new shares, though Barclays broke tradition by not predicting any dividend increase. The pricing of rights to include a bonus element is irrelevant to the investment merit.

Indeed both banks may have prejudiced existing shareholders as the fact that so many of them were forced by the low price to "tail swallow" (sell enough to take up the balance) may have lowered the premium, and increased the number of rights that had to be sold to finance the take up of the balance. The "tail swallowers" should send their resultant capital gains tax bills to the directors who also decided the price of the issue totally without considering the taxation effects on long term holders of big blocks of shares.

But TSB is not an issue that is merely made to look like a giveaway; it is a genuine giveaway, and should attract every penny of loose cash around the world. Whatever the pricing of the shares the resultant net asset value per share must as a mathematical necessity be higher than the amount subscribed. In view of the attractiveness of the issue one trusts that all banks and building societies have made plans to ensure they survive a colossal temporary outflow of funds.

Underwriting was invented to make sure that all the funds required for a specific project of capital formation were forthcoming. The TSB has no capital formation project of determinable size in prospect; nor had Barclays or National Westminster. This is the true reason for not bothering to underwrite. The success or failure of such issues does not matter except to the reputation of the sponsors, and to underwrite is therefore just another giveaway.

What indeed is TSB to do with the cash received? The only way to make it earn its keep is to make a bid, largely in cash, for another bank. Those who fear there is little point in making an application for TSB shares because the allotments will be insignificant might therefore find it more profitable to buy some shares in another bank.

Geoffrey W. Gardiner.
3 Molly Potts Close,
Knutsford, Cheshire

More efficient in Scotland

From Dr S. Dover

Sir, — Your correspondent John Brennan (Weekend FT, August 30) repeats what I believe to be a misconception with regard to the benefits of Scottish practice in property sales. It is not a legal difference with England that is so important, but a practical one.

The Scottish "exchange of missives" referred to as a "binding agreement" is the equivalent of "exchange of contracts." The big difference is that the Scottish legal, banking and surveying professions can get one ready to take the irrevocable step within days rather than weeks or months.

I suspect the principal problem lies with the lawyers' attitudes. In dealing with Scottish property I have always been impressed with the businesslike approach and a propensity to expedite the matter. In dealing with English property a steady measured (gentlemanly?) pace was all one could expect.

(Dr) S. D. Dover.
16 Wentworth Mansions,
Keats Grove, NW3.

Thames crossing

From Mr J. V. C. Butcher

Sir,—Proposals for a further crossing of the River Thames at Dartford include various suggestions for a tunnel to be sunk into a trench in the river bed. But would this not be vulnerable to fracture with consequent heavy loss of life if a large fully laden ship sinks at that spot?

John Butcher,
18, Bramble Rise,
Cobham, Surrey.

UK COMPANY NEWS

Increased doubt over Extel vote on Dealers

By Lionel Barber

HENRY ANSBACHER merchant bank yesterday cast further doubt on the validity of last week's vote by Extel shareholders to approve the $40m acquisition of Dealers Digest, a New York publishing company.

Ansbacher said that four unnamed institutions and three unnamed individuals had voted against the resolutions to approve the Extel deal, but had apparently not been counted. It suggested that a total of around 500,000 votes had been invalidated.

Extel hit back in a statement reaffirming its confidence in the scrutineers appointed for the extraordinary meeting:

Ansbacher conceded that even by its own calculations Extel had still attracted enough votes to support its deal.

Lord Spens, an Ansbacher director, appealed earlier this week to Extel shareholders to come forward if they had voted against the resolution. He said seven had so far done so, maintaining they had voted 357,309 shares against.

A *further* 60,000 shares against were lodged by N. M. Rothschild, merchant bank advisers to Mr Robert Maxwell, the publisher and substantial minority shareholder, who strongly opposed the Digest deal.

Lord Spens offered an explanation for the dispute over the votes. He said that while Mr Maxwell was buying Extel shares, every effort was made to get these shares on the register. Though this was largely achieved, some 615,000 shares had not been registered *in Mr Maxwell's* vehicle, Priory Nominees, by the date of the egm.

Lord Spens added that at least one major institution had sold a majority of its shares to Mr Maxwell. Accordingly it voted against the resolutions for those shares sold, but also voted the balance in favour.

Lord Spens asked the Extel board whether it was possible for shares sold prior to the egm to have been inadvertently voted in favour of the board.

HAT urges rejection of BET offer

BY TERRY POVEY

MR DAVID TELLING, chairman of HAT Group, yesterday wrote to shareholders urging them to reject BET's "ridiculous" final offer which values the paints, scaffolding and cleaning group at almost £118m.

According to Mr Telling: "BET's bid is ridiculous; 135p in cash is not enough as our forecasts of profits and dividends and future prospects amply demonstrate." In addition to the cash offer BET is also offering 73 of its shares for each 200 of HAT's — which on last night's closing price of 420p, down 3p, for BET puts a value of 153.3p a share on HAT compared with an unchanged close of 140p.

The HAT board has forecast pre-tax profits of at least £12m for the year to February 1986. Included within this will be some £900,000 arising from a reduction in the group's pension contributions — suggesting that the trading contribution will be £11.2m. Also forecast were earnings per share of not less than 10.6p and the payment of a total dividend of 5.25p.

In the past two years HAT has reported pre-tax profits of £11.1m (in 1985-86) and £11.5m. Earnings in those years were 10.6p and 10.4p respectively while the dividends paid were 3.8p and 3.7p.

Asked if it was not true that the profits forecast for this year was flat, Mr Telling commented "we are not prepared to mortgage this company's future by changing accounting standards or whatever to boost profits—these are cautious, realistic estimates. Next year," he added, "we will have a real head of steam behind us."

BET insists that its offer is generous, that the new strategy developed by Mr Telling is nothing more than a defensive ploy and that there is commercial logic to HAT becoming part of the conglomerate.

The HAT final defence document argues that BET lacks contracting experience, that as a conglomerate it lacks "people skills," and that the share offer is not attractive because of uncertainty over the offerers' share price performance. HAT speculates that BET may need a rights issue in the near future.

HAT also claimed that the recent sale of a quarter of Mr Nicholas Wills, the managing director of the diversified industrial services group, shareholding in BET, some 100,000 shares, was "scant demonstration of confidence in BET's future."

The BET offer has its first close at 3.00 pm on September 18 and can be extended until September 26. At present the bidder owns just under 15 per cent of HAT and is unable to purchase any more shares over the final 135p cash offer level.

See Lex

Guinness vote in doubt with City split

By Lionel Barber

THE CITY is split over the Guinness boardroom controversy, *leaving the outcome of* next Thursday's extraordinary general meeting in doubt.

The intervention of Sir Thomas Risk, Governor of the Bank of Scotland, on Thursday, questioning Guinness's account of why it *dropped him as chairman* designate, has reopened the debate over boardroom changes following the successful £2.5bn acquisition of Distillers, the international drinks business.

Hill Samuel Pension Investment Management said it was mindful to vote shares owned by discretionary clients against the first resolution which proposes a new board structure including the appointment of Mr Ernest Saunders as group chairman and chief executive.

Another major insurance company, which declined to be named, said it was going to vote against the first resolution. It was joined by Scottish Mutual.

There are signs of an organised campaign to unite *institutions in Scotland* to oppose the resolutions.

It is unclear how many institutions will abstain, either because they want to express tacit criticism or because they have failed to recommend to discretionary clients to vote.

Warburg Investment Management, a key shareholder holding about 3 per cent of Guinness, has yet to make a recommendation to its clients of which there are about 200. But it said it favoured the resolutions.

Two weeks ago, a straw poll of nine senior fund managers revealed broad support for Mr Saunders and the new board structure which includes four new non-executive directors, in spite of strong reservations about *Guinness's handling of the* affair.

Several fund managers contacted yesterday said they would support Mr Saunders and voiced concern about the impact on Guinness's share price should Mr Saunders fail to become chairman.

Comtech plans to withdraw from high technology

BY ALICE RAWSTHORN

Combined Technologies Corporation (Comtech), *the* troubled motor and technology group, yesterday announced plans for a restructuring package, through which it will withdraw from high technology in order to concentrate on its profitable car dealership *interests. Once the restructuring* is completed Comtech will be rechristened Trimoco.

In order to finance the restructuring Comtech unveiled proposals to rals between £5m and £7m by issuing 11½ per cent convertible unsecured loan stock 1996. Some £5m of the stock will be issued by way of rights on the basis of £1 nominal of the stock for every 15 Comtech shares.

Comtech also produced its preliminary results for the year to March 31 which showed a reduction in pre-tax losses to £7.94m (£13.15m) and a fall in turnover to £167.04m (£205.1m).

The car dealership, Trimoco—which is a motor dealer in the East Anglia region—has been consistently profitable, but Comtech as a whole has produced losses because of the heavy research and development costs of its high tech *interests.*

At the interim stage the company announced plans to dispose of Trimoco in order to raise capital to invest in its high tech divisions. That strategy has now been reversed.

Comtech has concluded negotiations to reduce its holding in Mnemos — the USM-quoted developer of electronic data retrieval systems — from 64 to 19 per cent.

The stock issue will facilitate the restructuring and will also provide the company with funds should Sperry, the US computer company which has forged a link with Mnemos, exercise a call back option on its Mnemos investment.

The issue has been underwritten by Hambros Bank and sub-underwritten by Bracemiid, a company controlled by Mr Longcroft; Mr Ray *Brooke*, a director of Comtech; Mr David Evans, former chairman of Brengreen, who has just joined the Comtech board; Flitwick Oil, the family company of Mr Roger Smith, another Comtech director; and the Trimoco pension fund.

Sainsbury lifts stake in US chain

By David Goodhart

J. Sainsbury, Britain's biggest supermarket chain, has increased its holding in Shaws Supermarkets, the US supermarket chain, from 21.2 per cent to 28.5 per cent.

The 7.3 per cent stake, which cost $14.7m, was acquired from *the controlling Davis family* which has an agreement with Sainsbury that the British retailer should have first refusal over any shares which the family wants to sell.

Sainsbury clinched that agreement and took a 21 per cent stake at the end of 1983. This latest acquisition underlines Sainsbury's interest in eventually taking control of Shaws. Sainsbury already has two directors on the board of Shaws.

Mr Ewan Davidson, the Sainsbury treasurer, said yester*day that he was very happy with* the investment but did assume that full control would at some stage be taken.

Shaws is a regional chain based in New England with 47 stores spread down the seaboard and has a similar retailing approach to that of Sainsbury. In the financial year 1985 it made pre-tax profit of $25m on turnover of $909m.

To pay for the share stake Sainsbury is issuing 2.3m shares which are being placed with institutional clients of Rowe and Pitman.

Gibbs and Dandy profits show 75% improvement

THE recent growth at Luton-based builders merchant Gibbs and Dandy continued in the half year ended June 30 1986, with turnover up 7 per cent and the pre-tax profit ahead by 75 per cent.

Turnover came to £9.23m, against £8.62m, and the profit to £267,640, compared with £152,833.

Mr John Dandy, chairman, reported that, despite considerable local competition, sales increased in real terms and gross margins were maintained.

The tighter control of overheads initiated in recent years continued to be effective, and was aided by a reduction in bank borrowing and cuts in interest rates.

Mr Dandy said it was difficult to forecast the pattern of trade in the second half, but early indications showed some upturn and he was optimistic

After tax £116,696 (£83,089) *the net profit for the half-year* came to £150,944 (£69,744), and earnings were 1.85p (0.84p).

On the relocation of the premises in Luton, Mr Dandy said the plans were proceeding, although more slowly than envisaged. The company was not able to exercise the option for the purchase of the seven-acre site in Dallow Road, but to retain its interest negotiated a further option to acquire the site with is existing small leasehold interest.

The directors did not think that would materially affect the company's operations on that site. The option was exercisabe by October 31 at a reduced cost of £550,000.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corre-sponding div.	Total for year	Total last year
Crusts	0.71‡	—	—	1.06	—
Elys (Wimbledon) int	1	—	1	—	9.5
Framlington	6	Oct 23	3.5*	9	5*
Home Counties int	3.25	Oct 23	1.5	—	7
Magnetic Materials	1.87‡	Oct 24	—	1.87	—
Oilfield Inspection	nil‡	—	1	—	2
Persimmon int	2.1	Oct 20	1.75	—¶	5.25
Reabrook int	0.9	Nov 5	0.8	—	2.5
Second Alliance	12.5	Oct 17	11.25	18.5	16.25
Wyndham GP	1	Oct 20	1.5	1.8	1.5

Dividends shown in pence per share except where otherwise stated. * Equivalent after allowing for scrip issue. † On capital increased by rights and/or acquisition issues. ‡ USM stock. § Unquoted stock. ¶ 4.2p final forecast.

Sketchley sells diaper business

By David Goodhart

Sketchley has unexpectedly sold its cotton nappy rental service in the US for £5.4m, having earlier in the year sold its major US business, Sketchley Services, for about £27m.

The Sketchley Diaper Service has 30 plants throughout the US. Pre-tax profit in the year to March 1986 slipped to £749,000 from £1.76m in the previous year.

Mr Malcolm Glenn, Sketchley's chief executive, said that the company was suffering from the backwash of competition between the two US disposal diaper giants as well as sharply increasing insurance costs. It has been sold to a consortium led by Mr Jack J. Mogvero, the president.

Mr Glenn stressed that the *comany was* not getting out of the US but disposing of certain businesses that happened to be in the US. Sketchley would be returning by way of its core dry cleaning business, moving across the border from its base of 125 dry-cleaning shops in Toronto.

The diaper business is being sold at a net loss of about £1.8m, but taken together with the profit from the sale of Sketchley Services the sale of the US business will result in the recovery of the book value of the companies sold.

Persimmon rises 91% and calls for £6.5m

BY PHILIP COGGAN

Persimmon, the York-based housebuilder, yesterday announced interim pre-tax profits up 91 per cent and a one-for-four rights issue to raise £6.5m to pay off short-term borrowings and raise funds for expansion.

The group had net borrowings before the rights of £9.8m incurred as part of the cost of building up the land bank to include 4,650 pots, about three years supply at present levels of activity. After the rights, gearing will be down to 30 per cent.

Persimmon has recently concentrated on producing more expensive houses from its seven offices, which are scattered around the country from Taunton to Glasgow. That has helped it achieve higher margins. The 91 per cent increase in profits to £2.02m (£1.05m) on turnover up 46 per cent from £12.4m to £18.2m.

Interest charges were down to £589,000 (£645,000) and, after tax of £744,000 (£436,000), earnings per share were up to 10.1p from 6.4p. The company is forecasting pre-tax profits for the full year of £5m and total dividends are expected to be 6.3p. The interim dividend is 2.1p (1.75p).

Under the rights, 3.14m new shares will be issued at 215p each. The *directors will be taking* up only 755,000 of their possible 1.95m entitlement, reducing their stake from 62 per cent to 54.6 per cent. The remaining shares will be underwritten by Hambros Bank.

The shares closed down 5p at 250p.

FT-ACTUARIES SHARE INDICES

These Indices are the joint compilation of the Financial Times, The Institute of Actuaries and the Faculty of Actuaries

EQUITY GROUPS & SUB-SECTIONS — Figures in parentheses show number of stocks per section

	Equity groups & sub-sections	Fri Sept 5 1986 Index No.	Day's Change %	Est. Earnings Yield % (Max.)	Gross Div. Yield % (ACT at 29%)	Est. P/E Ratio (Net)	xd adj. 1986 to date	Thur Sept 4 Index No.	Wed Sept 3 Index No.	Tues Sept 2 Index No.	Year ago (approx.) Index No.	1986 High		1986 Low		Since Compilation High		Since Compilation Low	
1	CAPITAL GOODS (212)	717.71	+0.1	8.52	3.38	14.94	12.42	717.16	712.93	708.48	523.50	753.28	30/4	567.56	14/1	753.28	30/4/86	50.71	13/12/74
2	Building Materials (26)	830.35	+0.6	8.45	3.48	14.91	14.81	825.07	820.58	813.55	549.68	844.79	4/4	613.05	23/1	844.79	4/4/86	44.27	11/12/74
3	Contracting, Construction (31)	1272.86	—	7.38	3.58	18.49	20.68	1273.43	1263.04	1252.75	834.70	1280.78	2/7	911.08	23/1	1280.78	2/7/86	71.48	2/12/74
4	Electricals (12)	1931.82	—	7.81	4.04	16.86	38.58	1930.04	1930.09	1913.85	1444.01	2092.98	21/4	1530.81	2/1	2092.98	21/4/86	84.71	25/6/62
5	Electronics (38)	1525.75	−0.6	9.83	2.81	13.57	28.24	1535.08	1528.22	1521.06	1348.74	1794.13	30/4	1387.58	24/1	2049.85	13/11/84	1229.81	8/10/85
6	Mechanical Engineering (60)	400.43	−0.2	9.87	4.10	12.87	7.44	401.42	400.40	399.70	300.54	422.95	18/4	316.63	23/1	422.95	18/4/86	45.43	5/1/75
8	Metals and Metal Forming (7)	358.57	+0.8	9.00	3.91	13.99	5.18	355.61	353.56	353.06	285.53	380.80	2/7	241.87	2/1	380.80	2/7/86	49.65	6/1/75
9	Motors (16)	294.07	+0.4	8.79	3.43	13.27	5.37	292.84	287.73	286.39	173.69	322.48	3/7	206.50	14/1	322.48	3/7/86	19.91	6/1/75
10	Other Industrial Materials (22)	1336.75	+0.5	6.30	3.02	19.13	18.94	1330.48	1322.30	1308.98	933.43	1347.13	3/4	993.49	21/1	1347.13	3/4/86	277.55	15/1/81
21	CONSUMER GROUP (182)	963.18	+0.3	7.49	3.09	16.82	14.58	960.60	954.39	953.85	707.40	968.16	3/4	739.82	14/1	968.16	3/4/86	61.41	13/12/74
22	Brewers and Distillers (22)	949.76	—	9.11	3.38	13.43	14.81	949.31	948.17	952.26	733.65	989.31	30/6	764.25	14/1	989.31	30/6/86	69.47	13/12/74
25	Food Manufacturing (22)	724.32	+0.4	9.08	3.63	14.45	13.52	721.66	717.35	715.86	503.35	724.32	5/9	549.51	14/1	724.32	5/9/86	59.67	11/12/74
26	Food Retailing (15)	2011.12	+0.7	5.92	2.58	23.30	29.30	1997.22	1980.28	1963.67	1629.30	2011.12	5/9	1629.83	21/1	2011.12	5/9/86	54.25	11/12/74
27	Health and Household Products (10)	1610.26	+0.6	5.25	2.15	22.51	12.84	1600.83	1567.54	1565.93	1098.34	1651.15	17/4	1175.61	14/1	1651.15	17/4/86	175.38	28/5/80
29	Leisure (28)	941.58	+0.9	7.52	3.86	17.48	22.42	932.88	937.11	937.59	685.97	968.51	2/4	731.17	24/1	968.51	2/4/86	54.83	9/1/75
32	Publishing & Printing (14)	2636.34	+0.4	7.31	3.95	17.69	48.95	2625.15	2583.38	2579.49	1900.13	2656.71	4/7	1834.16	9/1	2655.71	4/7/86	55.08	6/1/75
33	Packaging and Paper (14)	485.09	−1.3	6.94	3.40	18.71	7.31	491.54	489.72	494.07	376.91	495.91	1/9	362.52	9/1	495.91	1/9/86	43.46	6/1/75
34	Stores (38)	922.45	−0.1	6.26	2.76	21.69	11.27	923.32	920.91	920.19	700.14	984.64	3/4	707.79	23/1	984.64	3/4/86	52.63	6/1/75
35	Textiles (17)	547.39	−0.1	9.41	3.53	12.32	9.64	547.98	541.41	538.91	348.57	574.78	1/7	375.50	14/1	574.78	1/7/86	62.66	11/12/74
36	Tobaccos (2)	1184.12	+0.2	12.68	4.13	8.72	22.46	1181.48	1185.36	1198.64	851.72	1229.63	11/4	873.47	9/1	1229.63	11/4/86	94.34	13/6/62
41	OTHER GROUPS (89)	797.51	+0.2	8.51	3.97	15.13	15.99	795.92	794.64	793.82	701.64	859.53	4/4	696.16	21/1	859.53	4/4/86	58.63	6/1/75
42	Chemicals (20)	997.16	—	8.80	4.16	13.84	27.85	997.30	1002.76	1000.00	696.35	1002.76	3/9	729.24	14/1	1002.76	3/9/86	71.20	1/12/74
44	Office Equipment (4)	248.50	—	7.48	4.26	16.17	4.65	248.43	247.79	245.43	202.01	281.13	9/5	205.37	23/1	281.13	9/5/86	45.34	2/1/75
45	Shipping and Transport (13)	1551.12	+0.1	7.82	4.21	16.17	29.60	1550.18	1536.38	1502.04	1219.13	1677.64	3/4	1316.35	14/1	1677.64	3/4/86	90.80	29/6/62
47	Telephone Networks (2)	793.62	−0.9	10.81	4.63	12.65	16.67	800.52	800.52	803.18	904.34	1050.03	4/4	741.46	24/7	1050.03	4/4/86	517.92	30/11/84
48	Miscellaneous (50)	1115.38	+1.5	6.28	3.07	19.95	15.36	1098.94	1091.78	1093.35	866.02	1115.38	5/9	866.26	9/1	1115.38	5/9/86	60.39	6/7/75
49	INDUSTRIAL GROUP (483)	866.51	+0.2	7.99	3.37	15.90	14.58	864.74	860.26	858.45	664.39	889.80	3/4	691.89	14/1	889.80	3/4/86	59.01	13/12/74
51	Oil & Gas (17)	1419.58	+1.7	11.51	6.29	10.69	54.03	1395.40	1381.41	1366.13	1212.36	1419.58	5/9	1099.63	20/2	1419.58	5/9/86	87.23	29/5/62
59	500 SHARE INDEX (500)	913.48	+0.4	8.40	3.72	15.04	17.69	909.99	904.76	901.92	710.30	917.63	3/4	727.53	14/1	917.63	3/4/86	63.49	13/12/74
61	FINANCIAL GROUP (117)	621.36	−0.1	—	4.47	—	14.45	622.27	621.89	623.39	479.98	629.86	4/4	507.50	14/1	629.86	4/4/86	55.88	13/12/74
62	Banks (7)	679.90	—	18.72	5.34	7.31	23.57	679.69	683.71	688.80	477.39	707.33	20/3	517.21	5/2	707.33	20/3/86	62.44	12/12/74
65	Insurance (Life) (9)	906.48	−0.4	—	4.15	—	18.37	910.26	907.73	909.15	745.27	913.47	7/7	765.18	23/1	913.47	7/7/86	44.88	2/1/75
66	Insurance (Composite) (7)	492.41	−0.6	—	4.41	—	9.46	495.17	492.29	494.45	359.43	525.13	14/4	403.56	2/1	525.13	14/4/86	43.96	13/12/74
67	Insurance (Brokers)● (9)	1191.85	−0.3	8.26	4.24	15.82	24.62	1195.15	1194.34	1194.76	1183.74	1315.27	12/2	1139.48	13/6	1315.27	12/2/86	65.86	16/12/74
68	Merchant Banks (12)	351.70	+2.2	—	3.99	—	5.26	344.29	341.58	342.80	235.04	390.22	1/7	277.36	24/1	390.22	1/7/86	31.21	7/1/75
69	Property● (49)	778.18	−0.8	5.61	3.57	23.51	12.30	784.24	783.41	780.20	650.38	807.14	11/7	635.84	23/1	807.14	11/7/86	56.01	20/4/65
70	Other Financial (24)	354.89	+0.2	8.71	4.41	13.98	6.85	354.05	352.91	357.80	278.06	362.00	4/4	287.55	24/1	362.00	4/4/86	33.29	17/12/74
71	Investment Trusts (101)	816.31	+0.5	—	2.81	—	11.86	812.18	809.79	814.01	593.65	816.31	5/9	633.36	14/1	816.31	5/9/86	71.12	13/12/74
81	Mining Finance (2)	299.08	+2.0	12.05	5.36	9.67	6.11	293.21	292.26	283.82	259.10	331.16	21/3	240.83	2/1	337.57	10/4/84	66.31	30/9/74
91	Overseas Traders (14)	675.45	+1.0	11.12	6.44	10.69	24.15	668.99	659.60	652.49	601.12	707.32	1/7	597.55	2/1	707.32	1/7/86	97.37	6/1/75
99	ALL-SHARE INDEX (734)	830.45	+0.3	—	3.83	—	16.51	827.76	825.75	821.94	644.69	832.39	3/4	664.42	14/1	832.39	3/4/86	61.92	13/12/74

	Index No.	Day's Change	Day's High	Day's Low	Sept 4	Sept 3	Sept 2	Sept 1	Aug 29	Year ago	1986 High		1986 Low		Since Compilation High		Since Compilation Low	
FT-SE 100 SHARE INDEX ‡	1684.8	+4.5	1694.3	1683.4	1680.3	1670.7	1667.8	1672.8	1661.2	1332.2	1717.6	3/4	1370.1	14/1	1717.6	3/4/86	986.9	23/7/84

FIXED INTEREST

	PRICE INDICES	Fri Sept 5	Day's change %	Thurs Sept 4	xd adj. today	xd adj. 1986 to date
	British Government					
1	5 years	122.26	−0.11	122.39	—	7.74
2	5-15 years	139.82	−0.24	140.15	—	9.17
3	Over 15 years	146.61	−0.36	147.14	—	9.51
4	Irredeemables	162.89	−0.09	163.04	—	8.90
5	All stocks	136.25	−0.22	136.55	—	8.82
	Index-Linked					
6	5 years	113.37	−0.13	113.52	—	2.80
7	Over 5 years	116.87	−0.13	117.03	—	2.34
8	All stocks	116.22	−0.13	116.37	—	2.28
9	Debentures & Loans	119.67	−0.47	120.23	—	7.07
10	Preference	85.33	+0.05	85.29	—	4.06

	AVERAGE GROSS REDEMPTION YIELDS	Fri Sept 5	Thurs Sept 4	Year ago (approx.)	1986 Highs		1986 Lows	
	British Government							
1	Low 5 years	8.46	8.43	10.80	10.26	20/1	7.37	18/4
2	Coupons 15 years	9.30	9.29	10.20	10.65	20/1	8.32	18/4
3	25 years	9.32	9.31	10.21	10.65	20/1	8.33	18/4
4	Medium 5 years	9.69	9.62	10.81	11.09	14/1	8.58	18/4
5	Coupons 15 years	9.66	9.61	10.58	11.15	20/1	8.58	18/4
6	25 years	9.54	9.48	10.21	10.74	20/1	8.58	18/4
7	High 5 years	9.78	9.71	10.88	12.07	20/1	8.73	18/4
8	Coupons 15 years	9.82	9.75	10.73	11.32	20/1	8.73	18/4
9	25 years	9.66	9.59	10.36	10.81	20/1	8.73	18/4
10	Irredeemables †	9.26	9.24	9.81	10.35	27/1	8.38	18/4
	Index-Linked							
11	Inflat'n rate 5% 5 yrs	3.59	3.49	0.0	5.18	14/1	3.24	29/4
12	Inflat'n rate 5% Over 5 yrs	3.46	3.44	0.0	4.01	20/1	3.26	13/5
13	Inflat'n rate 10% 5 yrs	2.32	2.21	0.0	4.23	14/1	2.09	18/8
14	Inflat'n rate 10% Over 5 yrs	3.30	3.29	0.0	3.85	14/1	3.09	19/5
15	Debs & Loans 5 years	10.16	10.15	11.53	12.78	27/1	9.72	8/7
16	15 years	10.45	10.37	11.40	11.93	4/2	9.79	22/4
17	25 years	10.49	10.42	11.26	11.83	21/1	9.69	17/4
18	Preference †	10.82	10.82	12.18	12.18	24/2	10.30	9/6

‡ Opening index 1693.4; 10 am 1689.4; 11 am 1686.4; Noon 1685.3; 1 pm 1684.1; 2 pm 1684.3; 3 pm 1683.5; 3.30 pm 1685.1; 4 pm 1684.8.

Equity section or group	Base date	Base value	Equity section or group	Base date	Base value
Telephone Networks	30/11/84	517.92	Food Manufacturing	29/12/67	114.13
Electronics	30/12/83	1646.65	Food Retailing	29/12/67	114.13
Other Industrial Materials	31/12/80	287.41	Insurance Brokers	29/12/67	96.67
Health/Household Products	30/12/77	261.77	Mining Finance	29/12/67	100.00
Other Groups	31/12/74	63.75	All Other	10/04/62	100.00
Overseas Traders	31/12/74	100.00	British Government	31/12/75	100.00
Mechanical Engineering	31/12/71	153.84	Do. Index-linked	30/04/82	100.00
Office Equipment	16/01/70	162.74	Debs. & Loans	31/12/77	100.00
Industrial Group	31/12/70	128.20	Preference	31/12/77	76.72
Other Financial	31/12/70	128.06	FT-SE 100 Index	30/12/83	1000.00

† Flat yield. A new list of constituents is available from the Publishers, the Financial Times, Bracken House, Cannon Street, London, EC4, price 15p, by post 28p.
CONSTITUENT CHANGES: United Real Properties (69) has been deleted and replaced by G.T. Management (70). ●Constituent numbers amended 28/8/86.

MMG profit cut reaches £0.9m

THE REDUCTION in profit forecast by Magnetic Materials Group turned out to be £890,000 at the pre-tax level for the year ended June 30, 1986. The group made only £350,000 in the second half.

Turnover for the year fell to £13.53m (£14.77m), trading profit to £1.35m (£2.19m), and *the pre-tax balance to £1.33m* (£2.22m).

On top of the cyclical downturn in electronics, adverse exchange rate movements in North America and Australia depressed profit by more than £100,000, and there was also an exceptional £228,000 for redundancy and termination payments.

Adding to the cyclical problem was the failure in 1985 to respond quickly enough to improve the performance of the business, which would have offset the weakness in the market place.

The group came to the USM almost a year ago at 114p per share, valuing the whole at £20m — yesterday the shares were unchanged at 50p after touching 45p. Shareholders were warned in the interim statement last March that *profits for the year would show a* reduction.

The dividend, however, will be the promised 1.87p net.

Mr Eduard Michaelis, who took over the chairmanship at the beginning of May, said yesterday that action had been taken but would not have an immediate effect — it should come through in the 1987-88 year.

Activities in the electronics industry generally were still subdued but the group's profits were improving. He was confident of submitting a better report for the first half of the *current year, although the profit* would not match the £980,000 of the comparable 1985 period.

Mr Michaelis said decisions had been taken to extend the product range, expand activities overseas, push ahead with most of the development plans out*lined in the prospectus,* and to reorganise a significant part of the existing operations in the UK.

Rationalisation to date had seen the workforce reduced from 586 last October to 495 at the end of June.

After tax £288,000 (£409,000) the net profit for 1985-86 came to £1.04m (£1.81m) for earnings of 6.3p (11.11p) per share. There was an extraordinary charge of £67,000 relating to the closure of a business segment at Huntingdon.

Hollis up 27% and confident on outlook

Having reported pre-tax profits for the first half of 1986 up by 27 per cent Mr Richard Rimington, chairman of Hollis, said that the outlook was very encouraging and the directors intended to continue the planned acquisition policy.

Turnover for company, which is 82 per cent-owned by Mr Robert Maxwell's Permagon Holdings, increased from £18.84m to £33.2m. Pre-tax profits were £1.02m (£806,000). Again there is no dividend but directors repeated their intention to pay a final of 1p.

This year's figures were boosted by the acquisition of The Solicitors Law Stationery Society, bought in the second half of last year. Since the end of the period Hollis has bought several businesses from Pergamon.

Earnings per 21p share were 1.3p (1.4p).

Tombs makes further appeal to AE holders

Sir Francis Tombs, chairman of Turner & Newall, yesterday made another appeal to shareholders of AE to accept his offer before the close on September 12.

He said that the offer valued AE at nearly £280m, compared with the present market value *of £250m and £182m before the* offer was made. Sir Francis added that by accepting the increased offer AE shareholders could increase gross annual income by 64 per cent.

Turner & Newall also challenged AE's use of a letter from General Motors apparently vindicating its defence. T&N produced its own GM letter saying "we will not pre-judge" the effects of a takeover.

Sir John Collyear, chairman of AE, admitted yesterday after touring several institutional shareholders that it would be a close result but he remained confident. He also challenged T&N to give full clarification of its asbestos liabilities.

Expansion boosts profits at Framlington to £2.9m

Framlington Group, a unit trust management company, reported almost doubled pre-tax profits of £2.89m for the year to June 1986, compared with £1.49m previously.

It was an exceptional year for the company, Mr Bill Stuttaford, the chairman, stated. Despite *sharply increased* competition sales increased by 58 per cent to £84.25m (£53.33m), due largely, he said, to the successful launch of Framlington European Fund in February. This took over £23m in its initial offer period and it now amounted to over £52m.

With earnings per share ahead from 20.98p to 38.36p, the dividend total is lifted from an adjusted 5p to 9p, with a proposed final of 6p (3.5p adjusted).

During the year shareholders approved the proposal to ac*quire discretionary fund man*agement business from Laurence, Prust, which would take place in December, the chairman reported. A further proposal, to acquire Throgmorton Investment Management Services, would be put to shareholders at an EGM on October 22, the same day as the annual meeting.

The two acquisitions would broaden the group's base and bring total funds under management to over £1.3bn. Total funds under management stood at £432m (£289m) at June 30 1986, with unit holdings up from 59,000 to 70,000.

During the year Framlington concluded an agreement with Tenneco Financial Services to carry out investment management for an international mutual fund in the US. And this week the company signed an agreement with Pilgrim Baxter Hoyt & Grieg of Pennsylvania, for a joint venture to market international *investment management to* US pension funds.

Tax took a higher £1.16m (£636,000).

Home Counties recovers to £0.75m

Benefits of the rationalisation and closure programme are working through at Home Counties Newspapers as witnessed by first half 1986 results.

These showed that trading profit had surged from £202,000 to £647,000, on a turnover reduced from £6.78m to £6.1m. At the pre-tax stage the profit came to £746,000, ahead from £324,000.

With earnings rising from 7.32p to 18.1p shareholders receive an increase in their interim dividend to 3.25p net. Last time the payment was reduced to 1.5p but the year's total was unchanged at 7p despite a group loss of £461,000.

That compared with a profit of £1.1m in 1984. It took account of rationalisation costs in excess of £1m on newspapers outside London.

Tax for the half year took £294,000 (£141,000) to leave the net profit at £452,000 (£183,000). There was an extraordinary credit of £240,000 being the gain on the sale of part of the remaining investment in Reuters.

The profit on the disposal of the Luton freehold property will be dealt with in the second half.

Oilfield Inspection falls into red

A COLLAPSE in demand resulted in Oilfield Inspection Services Group falling into losses in the first half of 1986. Turnover was down by 21 per cent from £8.44m to £6.63m *and directors decided* because of the change in market conditions to write-off all deferred development costs brought forward at the beginning of the year.

The total write-off will be £248,000 with £124,000 taken in *the first half. With operating* losses coming out at £172,000, pre-tax losses for the period were £296,000, against profits last time of £264,000.

In view of the uncertain trading position, the directors said that they were passing the interim, against 1p last time. The loss per 20p share for this USM-quoted company was 2.8p (1.5p earnings).

Directors added that lower sales were only partially compensated for by lower costs and the outlook for the joint venture in Malaysia had deteriorated dramatically in the last few months. Company has reduced its involvement in the *area and made an extraordinary* provision of £150,000 to cover the possibility of not recovering the investment to date.

The directors said that they continued to hold the view expressed by the chairman in the annual report that despite uncertainty in the market there were good prospects in the longer-term for recovery and growth. The company was *also developing opportunities* for its products in markets outside the oil and gas production industries.

However they saw no improvement in the short-term. The company was taking further action to reduce the costs with *the object of returning* to profits next year.

The balance sheet remained healthy, they added, and they expected it to remain so despite market conditions.

at Brighton this week, for example, the National Union … The pay campaigns, waged for more than a year in British … another tirade against the employers. … mer, he took himself off to holiday in France, as is his … has got to be very encouraging for the next 12 months.

Fiat holds 65% of venture with Matra

By Alan Friedman in Milan

Italy's Fiat group and Matra, the French State-controlled defence and electronics group, have completed the merger of their car components businesses. The new company will be 65 per cent controlled by Fiat and 35 per cent by Matra, will employ 21,000 people and have sales of about FFr 7bn ($1.05bn).

The Fiat-Matra talks have been under way for many months and at the end of June the French Government signalled its tacit approval of the merger, which represents a significant move toward rationalising the European car components market.

The new group is to receive a cash injection of L105bn ($75m) at first. Fiat said yesterday that it would designate both the chairman and managing director of the merged business. Until now it was not clear that the Italian group would have such absolute shareholding and management control.

The group brings together Matra's Solex carburettor and Jeager dashboard instruments subsidiaries, along with Fiat's Veglia-Borletti dashboard instrument business. Fiat is also bringing its Weber carburettor subsidiary and its Cavis electronic cable division to the merger company.

The venture is designed to give the car components businesses of both Fiat and Matra the necessary European dimension and economies of scale to compete in an increasingly difficult international market.

Canadian bank shows recovery

By Robert Gibbens in Montreal

CONTINENTAL Bank of Canada, controlled indirectly by the Peter and Edward Bronfman interests of Toronto, is overcoming a run on deposits that occurred last year after the failure of two small Western banks, and has reduced its standby credit with six major chartered banks to C$500m (US$362.3m) from the original C$1.5bn.

A C$1.4bn credit with the Bank of Canada has been extended to January 31, 1987.

Nine-months' earnings were C$14.3m or 81 cents a share, against C$12m or 63 cents a year earlier. Assets at July 31 were C$5.9bn against C$6.2bn.

The bank said the outlook for the fourth quarter is promising.

Third-quarter earnings were C$5.5m against C$4.5m or 33 cents a share against 25 cents.

Fermenta reveals big share option

BY KEVIN DONE, NORDIC CORRESPONDENT IN STOCKHOLM

PROCORDIA, the Swedish state-owned holding company, has an option to purchase a further substantial stake in Fermenta, which could give it a holding of 26 per cent in the Swedish chemicals and biotechnology group.

This interest could be acquired regardless of parallel negotiations being conducted with Montedison for the takeover of a majority voting stake in Fermenta by the Itailian chemicals group.

On Monday Mr Refaat El-Sayed, majority shareholder and group chief executive of Fermenta, announced that he had reached agreement to sell Procordia 1m A shares in Fermenta, amounting to some 10.75 per cent of the votes in the company, for SKr 200m ($29m), but no mention was made of any further option.

Yesterday he confirmed the existence of the option, however, which runs until the end of September 1988. Procordia would be able to buy the additional A shares, which are not publicly quoted, at a price corresponding to 130 per cent of the price of the listed B restricted shares.

The existence of the hitherto secret option further complicates the already tangled takeover negotiations which Mr El-Sayed has conducted with Montedison since the spring.

It is unclear whether Montedison would be prepared to go ahead with the acquisition of a majority holding in Fermenta, with Procordia such a significant minority shareholder.

Talks did take place in Stockholm last week, however, between Mr Soren Gyll, Procordia managing director, and Mr Giorgio Porta, Montedison managing director responsible for industrial and commercial policy, who has led the Italian group's tortuous negotiations with Mr El-Sayed.

Earlier this week Mr Mario Schimberni, Montedison chairman, said the Italian concern was still seeking to acquire Mr El-Sayed's full 78 per cent voting stake in Fermenta. Mr El-Sayed says that the earlier agreement in principle to this effect is no longer valid because it was rejected by Fermenta's trades unions.

He was adamant yesterday that he was now only prepared to negotiate with Montedison the sale of a 51 per cent stake, which ideally should be acquired gradually over a period of five years.

"If Montedison wants 78 per cent, let's forget it," he said. "There is no deal."

As a result of the series of deals announced on Monday it appears that Mr El-Sayed in any case no longer has 78 per cent of Fermenta's voting shares at his disposal.

He said he had agreed to sell 3.6m B shares, equivalent to 3.8 per cent of the votes, to a combination of existing shareholders and two trades union-controlled wage earner investment funds. In addition he had agreed to sell 1m A shares or 10.75 per cent to Procordia without any right or repurchase.

He also sold 2m A shares or 21.5 per cent of the votes to the Swedish investment companies Beijer and Industrivaerden, but he has an option to buy back these shares, which could then be sold to Montedison or eventually Procordia.

Mr El-Sayed still controls directly some 40.75 per cent of the votes or 62.25 per cent including the Beijer and Industrivaerden options.

Record year for Pacific Dunlop

BY ROBERT KENNEDY IN SYDNEY

PACIFIC DUNLOP, the diversified Australian rubber goods and battery company, yesterday reported a 32 per cent higher record profit of A$106.12m (US$65.4m) for the year to June 30.

While the result was at the lower end of analysts' forecasts, it failed to provide the answer to the company's 20 per cent share price decline in the past three months from A$4 to A$3.20.

While it was Pacific Dunlop's first ever A$100m-plus earnings performance, the company also achieved sales of more than A$2bn for the first time. Its final turnover figure of A$2.4bn represents a 30 per cent increase on the A$1.85bn reported in the previous year.

The company has declared a one-for-10 bonus issue and announced an annual dividend increase from 11.5 cents to 12.5 cents a share by way of a final payout of 6.5 cents. The new units from the bonus will rank with existing capital for the next interim dividend.

Pacific Dunlop said that all divisions had achieved better results. Sir Brian Massey-Greeney the chairman, said the company made a total of 23 acquisitions and joint ventures in Australia, North America, Mexico, New Zealand, Europe, China and Malaysia in the year in complementary fields of activity. The investment in these acquisitions and joint ventures was nearly A$110m.

Hutton cleared for mutual fund management

By William Hall in New York

THE US Securities and Exchange Commission has voted to allow E. F. Hutton, the big Wall Street brokerage firm, to continue to manage $17bn of mutual funds and has cleared the way for the embattled firm to begin introducing new funds.

Hutton's ability to continue to offer mutual funds, an important service for its retail clients, has been in doubt ever since May 1985 when it pleaded guilty to 2,000 counts of mail and wire fraud in connection with a complicated cheque overdraft scheme. Under Federal securities law, Hutton was automatically barred from the mutual funds business after it pleaded guilty.

However, the firm has continued to operate in the mutual funds business under a temporary exemption and on Thursday the SEC voted to grant Hutton a permanent, conditional exemption from the Federal law barring the firm from managing or underwriting mutual funds.

Thyssen makes steady progress

BY OUR FINANCIAL STAFF

THYSSEN, the West German steel and trading group, reports good results for the first nine months of this year, despite a modest decline in sales for the period.

Group turnover dipped to DM 24.8bn ($12.2m) for the nine months ended June 1986, from DM 25.2bn a year ago. But Thyssen stresses that all its divisions had made a profit.

Last year the group staged a dramatic recovery, lifting net income to DM 472m and paying its first dividend since 1982. For the current year Thyssen has already promised to pay at least a maintained DM 5 a share.

Thyssen said its steel results were still good, but added the production and delivery situation had deteriorated. In particular, demand for products dependent on the energy customers had fallen significantly. By contrast, demand for steel from the motor industry had remained at a high level.

Thyssen added that pressures on prices had increased worldwide and that currency changes had led to losses on exports.

Total steel sales for the nine months fell by 3.8 per cent to DM 8.1bn, while in high-quality steel sales had declined by 1.8 per cent to DM 2.79bn.

Exports had weakened, especially to countries outside the European Community, although the good orders from the domestic capital goods industry had a stabilising effect

Hong Kong defers Hang Lung Bank sale

BY GORDON CRAMB IN HONG KONG

THE HONG KONG Government has again postponed finding a buyer for Hang Lung Bank, which it took over three years ago in a rescue costing an estimated HK$1bn (US$128.2m).

Mr David Nendick, who as the territory's Secretary for Monetary Affairs, is chairman of the bank, yesterday announced net losses for Hang Lung of HK$19.2m in the year to March — less than a sixth of the HK$123.2m deficit suffered in the previous year.

He added, however, that potential buyers — both local and overseas institutions — were still being turned away without being allowed to examine the bank's books.

This is despite the "positive result" now forecast by Hang Lung for the current year.

Hang Lung failed in September 1983 when it was unable to meet liabilities on cheques presented through the bank's clearing system. The Government took full control of the bank but hoped originally to sell it back into the private sector within a year.

Morgan Guaranty of the US, was appointed last September to value the business ahead of any sale, and a bid invitation was thought possible in March. But it is now clear that the Government, having committed so much to Hang Lung, is willing to wait longer in order to secure a better price.

The latest result largely excludes about HK$300m in proceeds from property disposals between January and June this year.

Mr Nendick declined to specify the size of bad loans still outstanding, some of which remain before the courts. But he added that, at the current rate of progress, the bank should be clear of these "certainly in the next year or so."

After the latest year's loss was charged to reserves, shareholders' funds were down at HK$337.6m compared with HK$356.7m. Gross assets were HK$4.67bn, against HK$4.10bn.

LONDON TRADED OPTIONS

Option		CALLS Oct.	CALLS Jan.	CALLS Apr.	PUTS Oct.	PUTS Jan.	PUTS Apr.
Allied Lyons (*340)	300	45	57	67	3	7	9
	330	25	38	48	9	15	18
	360	11	22	32	27	32	35
B.P. (*680)	600	98	123	135	2	8	14
	650	58	80	95	10	18	28
	700	30	47	65	28	37	55
Cons. Gold (*552)	420	135	147	152	2	5	9
	460	95	112	115	4	15	17
	500	60	80	92	10	20	34
	550	27	48	62	35	45	50
Courtaulds (*282)	260	28	40	49	4	8	12
	280	16	27	37	12	16	21
	300	6½	17	—	22	25	—
Com. Union (*303)	280	28	37	44	2	6	9
	300	11	22	31	11	15	18
	330	2½	12	19	32	33	36
Cable & Wire (*327)	300	40	52	60	6	11	16
	325	19	32	40	14	18	25
	350	5½	20	27	30	34	48
Distillers (*760)	600	175	—	—	1½	—	—
	650	125	—	—	4	—	—
	700	75	—	—	8	—	—
G.E.C. (*182)	180	14	20	26	5	8	11
	200	5	10	16	20	22	26
	220	2	5	—	40	40	—
Grand Met. (*391)	360	—	52	63	—	7	10
	382	28	—	—	10	—	—
	390	—	35	45	—	20	23
	420	13	25	38	35	40	43
I.C.I. (*1092)	1000	130	142	155	5	17	20
	1050	65	100	115	17	25	37
	1100	37	67	82	35	40	57
Land Sec. (*330)	300	35	43	50	2	4	5
	330	12	23	33	8	11	13
	360	4	11	18	33	33	34
Marks & Spen. (*217)	180	41	48	53	1½	2	4
	200	22	29	35	4	7	10
	220	7	14	21	10	14	17
Shell Trans. (*970)	850	127	142	157	3	9	17
	900	77	107	125	9	15	30
	950	47	74	95	28	38	58
Trafalgar House (*300)	280	28	36	43	8	14	17
	300	12	22	29	13	21	25
	330	3	8	—	32	33	—

Option		Nov	Mar	June	Nov	Mar	June
Lonrho (*224)	200	33	42	46	4	8	11
	218	22	—	—	9	—	—
	220	—	30	34	—	15	20
	236	11	—	—	20	—	—
	240	—	17	—	—	29	—

Option		Nov.	Feb.	May	Nov	Feb	May
Brit Aero (*486)	460	43	60	—	10	15	—
	500	22	38	52	35	40	45
	550	9	18	30	65	73	78
BAT Inds (*425)	390	45	60	68	7	12	17
	420	27	38	50	17	22	25
	460	9	20	32	42	48	50
Barclays (*507)	460	60	75	87	5	8	13
	500	32	47	60	17	25	32
	550	11	20	30	50	52	57
Brit. Telecom (*198)	180	27	34	40	3	6	9
	200	13	20	27	11	16	19
	220	6	10½	17	24	26	28
Cadbury Schweppes (*182)	160	25	32	38	2½	7	8
	180	10	19	25	10	13	15
	200	4	7	—	20	22	—
Guinness (*330)	300	48	58	68	4	7	10
	330	25	37	47	8	13	20
	360	12	20	25	27	32	35
Imperial Gr. (*397)	300	100	—	—	1½	—	—
	330	70	—	—	1½	—	—
	360	42	—	—	5	—	—
Ladbroke (*366)	300	67	78	—	1	2	—
	330	38	52	60	4	7	12
	360	20	30	38	15	18	23
LASMO (*130)	120	30	33	38	7	11	13
	130	18	23	30	11	15	18

Option		CALLS Nov.	CALLS Feb.	CALLS May	PUTS Nov.	PUTS Feb.	PUTS May
Midland Bk. (*572)	500	87	105	117	4	7	11
	550	47	65	80	15	20	25
	600	20	30	45	37	42	47
P. & O. (*540)	500	55	72	83	8	12	14
	550	20	42	55	20	30	36
	600	8	—	—	57	—	—
Racal (*184)	160	28	36	44	2	6	8
	180	15	24	30	8	11	16
	200	6	14	18	22	22	24
R.T.Z. (*637)	550	92	102	—	8	17	—
	600	52	67	87	20	37	42
	650	30	42	62	40	65	72
	700	14	24	—	82	97	—
Vaal Reefs (*$78)	60	20	27½	23½	2½	3¼	5¼
	70	12½	14½	16	5	7½	9
	80	7½	—	—	8½	—	—
Tr. 11¾% 1991 (*£108)	106	2	—	—	0⅝	—	—
	108	1	1½	1½	1⅛	2⅛	2⅜
	110	0⅛	0⅛	1	2⅝	3¼	3⅞
Tr. 11¾% 03/07 (*£117)	116	2⅛	3⅜	—	1⅜	3⅛	—
	118	1⅜	2⅜	3⅜	3	4⅛	4⅝
	120	1	2⅛	2⅜	4⅞	5⅜	6⅛
	122	0⅝	1⅛	—	6	7	—

Option		Sep	Dec	Mar	Sep	Dec	Mar
Beecham (*421)	360	63	77	85	3	5	8
	390	35	48	55	5	10	15
	420	11	30	42	13	27	30
	460	5	15	25	42	50	53
Boots (*220)	200	21	32	38	2	4	6
	220	8	21	28	6	13	16
	240	1½	10	16	22	25	26
BTR (*320)	300	—	—	47	—	—	15
	307	18	32	—	6	13	—
	330	—	—	28	—	—	27
Bass (*785)	700	90	110	123	1	7	12
	750	48	70	83	8	17	25
	800	10	35	55	30	35	45
Blue Circle (*545)	500	70	88	100	1½	6	10
	550	25	45	63	10	20	25
	600	6	22	40	38	40	42
De Beers (*$7.43)	600	145	160	180	4	17	30
	650	105	125	145	12	32	45
	700	65	95	110	20	50	65
	750	40	65	—	45	80	—
Dixons (*384)	330	58	68	78	1½	4	6
	360	28	42	54	4	8	12
	390	8	22	32	14	20	24
GKN (*290)	260	31	46	53	1½	6	9
	280	16	32	42	5	11	14
	300	5	18	30	16	21	26
	330	1½	9	17	43	44	47
Glaxo (*1057)	900	165	195	—	5	18	—
	950	120	150	185	7	25	35
	1000	72	115	150	17	40	50
	1050	45	85	120	35	60	70
	1100	18	65	—	65	90	—
Hanson (*195)	135	61	—	—	1	—	—
	150	46	—	—	1	—	—
	160	36	43	46	1	2	4
	180	17	25½	30	1½	4½	8
	200	4½	14	18	9	13	17
Jaguar (*540)	460	82	93	105	1	6	11
	500	42	60	70	6	15	25
	550	13	33	47	25	35	40
	600	2	15	23	68	65	75
Thorn EMI (*514)	420	100	115	122	1	2	5
	460	60	75	85	1½	7	10
	500	23	45	55	6	13	22
	550	4	17	—	40	42	—
Tesco (*410)	360	63	77	87	2	5	8
	390	33	50	60	3	8	15
	420	11	27	40	12	17	22

Option		Sept.	Oct.	Nov.	Dec.	Sept.	Oct.	Nov.	Dec.
FT-SE Index (*1685)	1525	180	192	207	—	1	2	5	—
	1550	155	167	183	—	1	4	8	—
	1575	130	142	160	—	1	7	12	—
	1600	105	122	142	—	2	10	18	—
	1625	82	102	125	—	5	14	27	—
	1650	62	85	110	128	9	21	35	42
	1675	42	63	95	113	20	30	45	50

September 5. Total Contracts 19,542. Calls 13,657. Puts 5,885.
*Underlying security price.

Evander and OFS mines lift dividends

By Kenneth Marston, Mining Editor

FURTHER INCREASES are contained in the final dividends for the year to September 30 by the South African Evander area and OFS gold mines in the Gencor group.

Kinross is paying 190 cents (78p) to make a year's total of 380 cents a share, against 325 cents previously. Unisel a final of 100 cents making 190 cents, against 150 cents, while the Winkelhaak payment of 250

	1986 Sept cents final	1986 March cents int	1985 Sept cents final	1985 March cents int
Bracken	50	50	60	40
Kinross	190	190	175	150
Leslie	30	30	60	45
Unisel	100	90	75	75
Winkelhaak	250	245	230	230

cents makes 495 cents a share, against 460 cents.

Lower finals, however, come from the veteran and marginal Leslie and Bracken mines. Leslie is halving its final to 30 cents for a total of 60 cents a share, against 105 cents. Bracken is reducing its payment to 50 cents, but following the increased interim the total is maintained at 100 cents a share.

The independent Egoli Consolidated Mines has declared an interim of 5 cents, its first payment for five years. The company said that it might declare a final.

Randfontein to mine lower grade ore

SOUTH AFRICA'S Randfontein Estates, a major gold producer, is to mine more of its lower grade ore — including material on surface — as a result of the recent advance in the gold price and the planned introduction of trackless mining techniques, both of which allow lower grade ore to be mined profitably, writes Kenneth Marston.

Consequently, the recovered gold grade will be approximately 4 grammes per tonne of ore treated in the current year to June 30. In the previous year the recovered grade averaged 4.6g, down from 5.6g in 1984-85.

South African refractories group declines

By Jim Jones in Johannesburg

CULLINAN HOLDINGS, the South African manufacturer of refractories, electrical insulators and building products, increased sales by more than a fifth in the year to June but suffered lower trading profits due to lower demand for building bricks.

Turnover increased to R175.3m ($73m) from R142.8m while operating profit, before tax and interest, dropped to R13.3m from R13.8m. A substantially lower interest bill resulted in the pre-tax profit increasing to R10.4m from R8.9m.

Mr Neil Cullinan, the chairman, says that the electrical equipment divisions and the refractories partnership with Iscor, the state-owned steelmaker, both increased their contributions to profits.

Earnings rose to 76.1 cents a share from 62.7 cents, and the dividend has been lifted to 35 cents from 30 cents.

Cullinan's main shareholders are the Anglo American Group and Old Mutual, South Africa's largest insurance company.

● Recession, which has severely restricted the amount of construction work available, has led to a substantial reduction in the profits of Grinaker Holdings, one of South Africa's leading civil engineering and electronics firms.

Turnover rose to R 457m in the year to June 30 from R 420m, but operating profit, before interest and tax fell by more than a third to R 15.9m from R 24.4m.

The pre-tax profit was almost halved, dropping to R 10.6m from R 20.8m.

The Hong Leong Group

Following our July 3 report of an offer by City Developments, the listed property and hotel unit of the Hong Leong Group in Singapore, for the Orchard Hotel, the Group and the Kwek family have said that they have in fact no intention of using the property, should it be acquired, as security for the Group's borrowings.

FOREIGN EXCHANGES

Dollar ends firmer

THE DOLLAR rose towards its best level of the day at yesterday's close in currency markets, prompted to a large extent by short covering ahead of the weekend. Traders were reluctant to run short dollar positions over the weekend although the prospects of a suden dollar improvement seem remote. This was despite a rise in US payroll employment outside the farming sector which boosted dollar demand while overall unemployment figures fell to 6.8 per cent from 6.9 per cent.

Underlying sentiment also reflected optimism over the weekend meeting between US and Japanese officials, increasing speculation about a concerted cut in interest rates. However, others pointed to the size of the US trade and budget deficits, claiming that on this basis the dollar's upward potential was strictly limited.

The dollar closed at DM 2.0470 up from DM 2.0295 against the D-Mark and Y155.35 compared with Y154.90. Elsewhere it improved to SFr 1.6635 from SFr 1.6245 and FFr 6.7085 from FFr 6.6525. On Bank of England figures, the dollar's exchange rate index rose from 110.0 to 110.4.

Sterling finished unchanged on the day with a closing exchange rate index of 71.7, the same as Thursday's close but up from a day's low of 71.5 touched at 11 am. However sentiment remained on the bullish side as speculation about the possibility of another concerted fall in interest rates left speculators reluctant to carry short positions over the weekend. The pound rose against the D-Mark to DM 3.0625 from DM 3.0525 and FFr 10.0350 compared with FFr 10.0075. It was also higher against the Swiss franc at SFr 2.4875 from SFr 2.47. However it was lower against the yen at Y232¼ from Y233 and $1.4960 compared with $1.5045.

The European Monetary System again gave cause for concern with the Danish krone trading close to its lowest permitted level against the D-Mark. It was also at its Ecu divergence limit although there was no clear evidence of any intervention by the Danish central bank. Much will depend on whether the West German Bundesbank decides to cut its discount rate before pressure on the weaker currencies builds to such an extent that the market will start to look for another realignment within the system.

£ IN NEW YORK

Sept. 5	Latest	Prev. close
Spot	$1.5915-1.5025	$1.4995
1 month	0.53-0.50 pm	0.51-0.50 pm
3 months	1.54-1.50 pm	1.58-1.51 pm
12 months	5.17-5.07 pm	5.23-5.13 pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

	Sept 3	Previous
8.30 am	71.7	71.5
9.00 am	71.7	71.5
10.00 am	71.7	71.6
11.00 am	71.5	71.6
Noon	71.6	71.6
1.00 pm	71.7	71.6
2.00 pm	71.6	71.7
3.00 pm	71.6	71.7
4.00 pm	71.7	71.7

CURRENCY RATES

Sept. 5	Bank rate %	Special Drawing Rights	European Currency Unit
Sterling	—	0.809090	0.688979
US $	5½	1.21404	1.03416
Canadian $	8.47	*	1.43303
Austria Sch	4	7.3632	14.7885
Belgian Fr	8	51.0686	43.5199
Danish Kr	7	9.35718	7.95422
D'mark	3½	—	2.10141
Guilder	4½	2.78015	2.37070
French Fr	9½	8.08308	6.88749
Lira	12	—	1450.15
Yen	3½	87.994	160.450
Norway Kr	8	8.83821	7.53028
Span'h Pta	—	161.744	137.750
Swedish Kr	9	8.33438	7.10725
Swiss Fr	4	1.99892	1.70274
Greek Drch	20½	162.760	138.730
Irish Punt	—	—	0.764062

* C$/SDR rate for Sept 4: 1.68699.

CURRENCY MOVEMENTS

Sept. 5	Bank of England Index	Morgan Guaranty Change %
Sterling	71.7	−21.0
U.S. Dollar	110.4	+2.1
Canadian Dollar	77.3	−12.9
Austrian Schilling	131.4	+8.2
Belgian Franc	96.8	−6.4
Danish Kroner	88.2	+0.1
Deutsche Mark	140.2	+18.0
Swiss Franc	168.5	+21.9
Guilder	129.5	+11.8
French Franc	69.6	−13.8
Lira	47.6	−16.1
Yen	215.9	+60.2

Morgan Guaranty changes: average 1980-1982=100. Bank of England index (base average 1975=100).

OTHER CURRENCIES

Sept. 5	£	$
Arg'tina	1.5490-1.5545	1.0350-1.0380
Aus'alia	2.4240-2.4260	1.6215-1.6235
Brazil	20.600-20.730	13.770-13.840
Finland	7.3090-7.3300	4.8810-4.8830
Greece	199.60-203.10	132.70-134.90
H'kong	11.6625-11.6810	7.7985-7.8005
Iran	112.90*	75.40*
Kuwait	0.4360-0.4375	0.29180-0.2920
Lux'burg	63.90-64.00	42.70-42.80
Malaysia	3.8805-3.9010	2.5950-2.6050
N'Z'land	3.1115-3.1215	2.0810-2.0875
Saudi Ar.	5.5070-5.6135	3.7470-3.7485
Sin'pore	3.2300-3.2375	2.1600-2.1620
SAf (Cm)	3.5120-3.5395	2.3640-2.3695
S.Af.(Fn)	6.4515-6.7415	4.3010-4.4945
U.A.E.	5.4955-5.5010	3.6725-3.6735

* selling rate

POUND SPOT—FORWARD AGAINST POUND

Sept 5	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.4925-1.5075	1.4955-1.4965	0.53-0.50c pm	4.12	1.56-1.51 pm	4.09
Canada	2.0720-2.0870	2.0720-2.0730	0.35-0.25c pm	1.76	0.85-0.71 pm	1.50
Nethlnd.	3.43-3.45½	3.45¼-3.45¼	1½-1¼c pm	4.77	4⅛-3⅞ pm	4.63
Belgium	62.95-63.35	63.25-63.35	16-15c pm	2.93	46-41 pm	2.74
Denmark	11.53½-11.58½	11.58-11.59½	½ pm-¼ore dis	0.38	⅞-1⅞ dis	−0.43
Ireland	1.1060-1.1140	1.1130-1.1140	0.05-0.10c dis	−0.80	0.10-0.25dis	−0.62
W. Ger.	3.0385-3.0630	3.0620-3.0630	1½-1¼pf pm	5.38	4⅛-4 pm	5.38
Portugal	216½-219¼	218½-219	70-155c dis	−6.17	265-480 dis	−6.81
Spain	199½-200¼	199¾-200	40-70c dis	−3.30	95-165 dis	−2.60
Italy	2097½-2113½	2112½-2113½	2-5lire dis	−1.98	8-11 dis	−1.79
Norway	10.91¼-10.94½	10.92¾-10.92¾	3⅝-4⅝ore dis	−4.26	11⅝-12⅝ dis	−4.62
France	9.96-10.03¼	10.03¼-10.03¾	2⅞-2⅜c pm	2.76	6⅞-6 pm	2.51
Sweden	10.30½-10.33½	10.32¼-10.32¾	⅝-⅛ore pm	0.29	1⅛-⅝ pm	0.43
Japan	231½-233	232¼-232¾	1-⅞y pm	4.83	3-2⅞ pm	5.05
Austria	21.37-21.47	21.40-21.43	9-8⅛gro pm	4.79	24⅛-21⅞ pm	4.26
Switz.	2.46-2.49	2.48½-2.49	1⅝-1⅛c pm	7.54	3⅞-3⅝ pm	5.62

Belgian rate is for convertible francs. Financial franc 63.90-64.00
Six-month forward dollar 2.86-2.81c pm. 12-month 5.25-5.15c pm.

DOLLAR SPOT—FORWARD AGAINST DOLLAR

Sept 5	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.4925-1.5075	1.4955-1.4965	0.53-0.50c pm	4.12	1.56-1.51 pm	4.09
Ireland†	1.3420-1.3565	1.3420-1.3430	0.65-0.30c pm	4.21	1.80-1.35 pm	4.65
Canada	1.3825-1.3865	1.3860-1.3865	0.26-0.29c pm	2.38	0.86-0.91 pm	2.55
Nethlnd.	2.2645-2.4000	2.3090-2.4000	0.15-0.12c pm	0.71	0.38-0.33 pm	0.62
Belgium	41.93-42.35	42.25-42.35	3-5c dis	−1.14	12-17 dis	−1.37
Denmark	7.66½-7.75	7.74-7.74½	1.90-2.50ore dis	−3.42	6.25-7.00dis	−3.44
W. Ger.	2.0240-2.0475	2.0465-2.0475	0.25-0.22pf pm	1.38	0.68-0.63 pm	1.28
Portugal	144.95-146.05	145.75-146.00	110-150c dis	−10.73	330-470dis	−11.00
Spain	132.60-134.00	133.45-133.55	72-82c dis	−6.93	200-230dis	−6.45
Italy	1396½-1413	1412½-1412½	6-8½lire dis	−6.20	19-22½ dis	−5.91
Norway	7.27-7.30½	7.30-7.30½	4.85-5.25ore dis	−8.31	15.4-15.8dis	−8.66
France	6.6300-6.7100	6.7080-6.7090	0.65-0.75c dis	−1.26	2.50-2.80dis	−1.59
Sweden	6.85½-6.90½	6.90-6.90½	2.10-2.40ore dis	−3.92	6.25-6.65dis	−3.75
Japan	154.60-155.65	155.30-155.40	0.14-0.09y pm	0.88	0.39-0.34 pm	0.94
Austria	14.25½-14.42	14.37½-14.37½	1¼-½gro pm	0.73	2-½ pm	0.35
Switz.	1.6370-1.6650	1.6630-1.6640	0.30-0.25c pm	2.00	0.70-0.65 pm	1.63

† UK and Ireland are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency.
Belgian rate is for convertible francs. Financial franc 42.70-42.80.

EURO-CURRENCY INTEREST RATES

Sept. 4	Short term	7 Days notice	1 Month	Three Months	Six Months	One Year
Sterling	10-10¼	10⅛-10⅜	10⅛-10⅛	9⅞-10	9¾-9⅞	9¾-9¾
U.S. Dollar	5⅛-6⅛	5⅞-5⅞	5⅞-6	5⅞-5⅞	5⅞-5⅞	5⅞-6
Can Dollar	8-8¼	8-8¼	8¼-8½	8¼-8½	8½-8¾	8¾-9
D Guilder	5¼-5⅜	5¼-5⅜	5⅜-5⅝	5⅜-5⅝	5-5⅛	5-5⅛
Sw. Franc	1⅜-1⅞	1⅜-1⅞	3⅞-4	4-4⅛	4-4⅛	4-4⅛
Deutschmrk	4⅛-4⅜	4⅛-4⅛	4⅛-4⅜	4⅛-4⅜	4⅛-4⅜	4⅛-4⅜
Fr. Franc	7-7⅛	7-7⅛	7⅛-7⅜	7⅛-7⅜	7⅛-7⅜	7⅛-7⅜
Italian Lira	10-11	10-11½	11-12¼	11-11½	10¾-11⅛	11⅛-10⅝
B.Fr.(Fin)	6⅞-7⅛	7-7¼	7⅛-7⅜	7⅛-7⅜	7-7¼	7-7¼
B.Fr.(Con)	6⅞-7¼	6⅞-7⅜	7-7½	7-7½	7-7½	7-7½
Yen	4⅛-5	4⅛-5	5-5⅛	4¾-4⅞	4⅝-4⅞	4⅝-4⅞
D. Krone	8⅞-9⅜	9-9½	9⅞-10⅜	10⅛-10⅜	10⅜-10⅞	10⅛-10⅜
Asian $ (Sng)	5⅞-6	5⅞-6	5⅞-6	5⅞-5⅞	5⅝-5¾	5⅞-5⅞

EXCHANGE CROSS RATES

Sept. 5	£	$	DM	YEN	F Fr.	S Fr.	H Fl.	Lira	C $	B Fr.
£	1.	1.496	3.063	232.5	10.04	2.488	3.456	2113.	2.073	63.30
$	0.668	1.	2.047	155.4	6.708	1.663	2.309	1412.	1.386	42.31
DM	0.327	0.488	1.	75.92	3.277	0.812	1.128	690.0	0.677	20.67
YEN	4.301	6.434	13.17	1000.	43.16	10.70	14.86	9088.	8.914	272.3
F Fr.	0.997	1.491	3.052	231.7	10.	2.479	3.443	2106.	2.065	63.08
S Fr.	0.402	0.601	1.231	93.47	4.034	1.	1.389	849.4	0.833	25.45
H Fl.	0.289	0.433	0.886	67.29	2.904	0.720	1.	611.6	0.600	18.32
Lira	0.473	0.708	1.449	110.0	4.749	1.177	1.635	1000.	0.981	29.96
C $	0.483	0.722	1.478	112.2	48.42	1.200	1.667	1020.	1.	30.54
B Fr.	1.580	2.363	4.838	367.3	15.85	3.930	5.458	3338.	3.274	100.

Yen per 1,000: French Fr per 10: Lira per 1,000: Belg Fr per 100.

MONEY MARKETS

UK rates little changed

INTEREST RATES were hardly changed in London yesterday in rather quiet pre-weekend trading. Three-month interbank money was quoted at 9⅞-10 per cent, unchanged from Thursday. Attention seemed to focus on short date money with the Bank of England giving adequate assistance in the end. Earlier help had been limited since the market appeared reluctant to bid up for funds on expectations of funds returning to the market. The expected refund on petrol revenue taxes failed to materialise however and this pushed late weekend interbank rates up to 10 per cent, having been as low as 5 per cent from an opening level of 10-10¼ per cent.

The Bank of England forecast a shortage of around £800m with factors affecting the market including maturing assistance and a take up of Treasury bills together draining £503m and a rise in the note circulation of £280m. In addition banks brought forward balances £55m below target. These were partly offset by Exchequer transactions which added £35m. To help alleviate the shortage, the Bank offered an early round of assistance which totalled £24m and comprised outright purchases of £5m of eligible bank bills in band 1 at 9⅞ per cent, £14m in band 2 at 9⅞ per cent and £5m in band 3 at 9¾ per cent.

The forecast was revised to a shortage of around £850m before taking into account the early help and the Bank gave additional assistance in the morning of £127m through outright purchases of £7m of eligible bank bills in band 1 at 9⅞ per cent and in band 2 £5m of Treasury bills and £80m of eligible bank bills, all at 9⅞ per cent. In band 3 it bought £11m of eligible bank bills at 9¾ per cent and £24m in band 4 at 9⅞ per cent.

Once again the forecast was revised, this time to a shortage of around £900m and the Bank gave additional assistance in the afternoon of £683m through outright purchases of £37m of eligible bank bills in band 1 at 9⅞ per cent, £467m in band 2 at 9⅞ per cent and £79m in band 3 at 9¾ per cent. In band 4 it bought £80m of Treasury bills at 9⅞ per cent. Late help came to £75m, making a total of £909m.

The average rate of discount rose by 0.1075 per cent to 9.4444 per cent at yesterday's weekly Treasury bill tender. The £100m of bills on offer attracted bids of £307.7m and all bills offered were alloted. The minimum accepted bid was £97.625, met as to about 10 per cent and above in full. Next week a further £100m of bills will be on offer, replacing a similar amount of maturities.

UK clearing bank base lending rate 10 per cent since May 22

FT LONDON INTERBANK FIXING

(11.00 a.m September 5) Three months US dollars		Six months US dollars	
bid 5⅝	Offer 5¾	bid 5⅝	Offer 5¾

The fixing rates are the arithmetic means, rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11 am each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

MONEY RATES

Sept. 5	Over-night	One Month	Two Months	Three Months	Six Months	Lombard Interv'tion
Frankfurt	4.40-4.50	4.35-4.50	4.30-4.45	4.30-4.45	4.30-4.45	5.5
Paris	7	7⅛-7⅛	7⅛-7⅛	7-7⅛	7-7⅛	7
Zurich	7⅛-1⅛	3⅞-4	—	3⅞-4⅛	—	—
Amsterdam	5⅛-5⅜	5⅛-5⅜	—	5⅛-5⅜	—	—
Tokyo	4.84375	4.84375	—	4.71875	—	—
Milan	11⅛-11¾	11½-11½	—	11-11½	—	—
Brussels	5.85	7⅛-7¼	—	7⅛-7¼	—	—
Dublin	9⅛-9⅜	9⅞-10⅛	—	10½-10⅝	10⅝-10⅞	—

LONDON MONEY RATES

September 5	Over night	7 days notice	Month	Three Months	Six Months	One Year
Interbank	5-10¼	10-10¼	10-10⅛	9⅞-10	9⅞-9⅞	9⅞-9⅞
Sterling CDs	—	—	10-10⅛	9⅝-9¾	9⅝-9⅝	9⅝-9⅝
Local Authority Depos	10-10⅛	10-10⅛	10⅛	9⅞	9⅝-9⅞	9⅝
Local Authority Bonds	—	—	10⅛	10¼	10	9¾
Discount Mkt. Depos	6-10	9¾-10	9¾	9⅛	—	—
Company Depos	8¾-10	10¼	10⅛	10	9⅞	9⅞
Finance House Depos	—	—	10⅛	10	9⅞	9⅞
Treasury Bills (Buy)	—	—	9⅞	9½	—	—
Bank Bills (Buy)	—	—	9⅞	9⅞	9⅞	—
Fine Trade Bills (Buy)	—	—	10⅛	10⅛	9⅞	—
Dollar CDs	—	—	5.90-5.95	5.75-5.80	5.70-5.75	5.90-5.95
SDR Linked Depos	—	—	5⅞-6⅛	5⅞-6⅛	5⅞-6	5⅞-6⅛
ECU Depos	—	—	7⅛-7⅜	7⅛-7¼	6⅞-7	6⅞-7

Treasury Bills (sell): one month 9⅞ per cent; three months 9½ per cent. Bank Bills (sell): one month 9⅞ per cent; three months 9⅞ per cent. Treasury Bills: Average tender rate at discount 9.4444 per cent. ECGD Fixed Finance Scheme IV reference date August 6 to September 2 (inclusive): 9.890 per cent. Local Authority and Finance Houses seven days' notice, others seven days fixed. Finance Houses Base Rate 10 per cent from September 1 1986. Bank Deposit Rates for sums at seven days' notice 4.35-4.375 per cent. Certificates of Tax Deposit (Series 6): Deposit £100,000 and over held under one month 10 per cent; one-three months 9¾ per cent; three-six months 9½ per cent; six-nine months 9½ per cent; nine-12 months 9½ per cent. Under £100,000 9½ per cent from August 21. Deposits held under Series 5 9½ per cent. Deposits withdrawn for cash 5½ per cent.

WORLD STOCK MARKETS

WALL STREET

Dow turns lower on profit-taking

A BOUT of profit-taking following the market's ascent to record levels on Thursday pulled stocks lower in large volume on Wall Street yesterday.

By 1 pm the *Dow Jones Industrial Average* was down 6.61 to 1,913.10, reducing its rise on the holiday-shortened week to 14.76, while the NYSE All Common index, at $144.57, dipped $1.18 on the day and a net 75 cents on the week. Declines led advances by a two-to-one majority in a volume of 159.22m shares.

But shares of Oil companies, which helped boost the market into record territory on Thursday, remained strong. Unemployment figures released yesterday, fell into the anticipated range, and did little to prod the economy-sensitive market.

Peter Furniss, of Drexel Burnham Lambert, said: "Portfolio managers are beginning to see signs that the economy is growing and their consensus on Fed policy begins to change and shifts the preference in financial instruments."

However, the shift to the more economically sensitive cyclical stocks remained intact, analysts said. Mining shares also added to recent gains.

Analysts said shares of Mining companies, reacting to a new three-year high in the price of gold, rose sharply. ASA jumped $1¼ to $38¼, Newmont Mining $1¾ to $59¼ and Homestead Mining $¾ to $28.

Cyclical stocks, such as the Papers, also rose. International Paper advanced $1¼ to $70¾, Union Camp $½ to $55¾ and Mead $¼ to $58¼.

But as the shift to the more economically sensitive stocks continued, *Drug issues* suffered. Merck fell $3¾ to $110¼ and Squibb $1¾ to $115¾. Upjohn lost $2¼ to $93¼, after a rise of more than $10 this week.

Fannie Mae fell $1¼ to $32¾. THE AMERICAN SE Market Value index lost 1.59 to 275.43, cutting its rise on the week to $1.58. Volume 8.71m shares.

UK clearing bank base lending rate 10 per cent since May 22

CANADA

The market lost about half its early advance in heavy midday trading.

The Toronto Composite index was up 12.5 at 3,106.68, after rising more than 20 points, while the Gold index moved ahead 74.7 to 5,057.7 as the price of gold hit US$420 per ounce on world markets.

Petroleum activities were mixed. Asamera rose $¼ at $10, but Strathcona Resources shed 2 cents to 33 cents per share and Shawnee Petroleum lost 10 cents to 55 cents.

Campeau put on $¼ to $29¼—it has a takeover bid on the table for US-based Allied Stores.

TOKYO

Sharply higher in heavy trading sparked by the heightened possibility of a concerted rate cut, and Wall Street's overnight rally.

The Nikkei Dow Average closed near the day's high, rising a further 215.44 to 18,775.08. Volume more than doubled to 1.2bn (570m) shares. The SE Market index rose 22.40 to 1,542.00.

The rise also coincided with the TSE restoration of 30 minutes to its recently shortened afternoon trading session.

Japanese Finance Minister, Kiichi Miyazawa's announcement that he will travel this weekend to Washington to meet US Treasury Secretary, James Baker, brightened prospects for a co-ordinated discount rate cut, one analyst said.

Investors' interests broadened beyond domestic demand related issues into international Blue Chips, which look cheap compared to their prices on foreign exchanges, dealers said.

Institutional investors, who stayed away from the market recently while preparing end-of-term reports, rushed back in and helped boost yesterday's volume.

Cars, Trading Companies, Steels, Shippings, Securities Houses, Utilities, Real Estates, Chemicals and Drugs all closed higher. But Oils, non-Ferrous Metals and Banks fell.

Construction and Housing shares sprinted ahead on *optimism surrounding* up-coming Government plans to stimulate Japan's domestic economy.

Most export-dependent Electrical shares charged ahead on optimism about a possible stabilisation of the yen-dollar exchange rate, despite the fact that the dollar weakened and generally stayed below Y155 Friday.

The TSE announced that one of the US largest chemical companies, E. I. Du Pont De Nemours had formally applied for a listing on the Tokyo Exchange.

HONG KONG

Sharply higher as strong demand from local and overseas investors pushed the Hang Seng index *up 21.83 to a record close* of 1,968.53 to surpass the previous high of 1,950.12 set on August 18.

Turnover $HK670.67m ($HK506m), the heaviest trading in nearly a month.

Brokers said the market was pushed up by overseas buying from Europe, mostly from London, and by some institutional investors who switched out of the Tokyo stock market.

Properties led the advance as local investors flooded the market with large buy orders. Strong foreign interest in local real estate deevlopment convinced investors that Property shares are undevalued, brokers said.

AUSTRALIA

Share markets closed near record highs in brisk trading, buoyed by firm bullion prices, sharp rises on Wall Street and further healthy end-of-year company results.

The All Ordinaries index rose 6.8 to 1,238.5, less than 10 points off its record high of 1,247.8 set on May 7, and All Industrials put on 5.2 to 1,970.9. The Gold index surged ahead 33.8 to 1,331.7. All Resources 8.2 to 683.5, Metal and Minerals 9.9 to 590.0, Solid Fuels 5.4 to 478.3 and Oil and Gas 12.3 to 485.3.

National turnover 155.5m (120.1m) shares worth of A$254.1m (A$162.1m). Rises outnumbered falls 368-to-203.

Interest focused on the Resource and Industrial sectors, with brokers reporting heavy demand from local and overseas institutional traders.

Golds and major Mining firms again dominated trading with most leading issues closing at, or near, record highs.

Barrack added 50 cents at A$8.

Banks attracted buyers following the Reserve Bank's decision to allow them to broaden their capital bases. ANZ gained 4 cents to A$5.50 on a turnover of more than 3.2m shares, including a special sale of 1.5m at A$5.46. Westmex closed steady at A$1.80 and attracted attention with a turnover of more than 15m shares including a special sale of 8.64m.

JOHANNESBURG

Gold shares soared in brisk trading, as the bullion price strengthened sharply.

Industrials also firmed after cuts in key interest rates, and major indices again hit new highs.

GERMANY

Leading shares off the best but well above Thursday's close as operators squared their positions ahead of the weekend.

Prices rose briskly after an active start, encouraged by Wall Street's overnight record close, with *foreigners showing* buying interest. But they fell back as business died away and as some traders took their profits.

MILAN

Sharply lower in fair trade characterised by profit-taking and widespread selling.

Montedison were off Lire 210 at 3,430 attributed to growing uncertainties related to the company's bid for the Swedish firm Fermenta.

CANADA

Stock	Sep. 4	Sep. 3
AMCA Intl	14¼	13⅞
Abitibi	22⅝	22¼
Agnico Eagl	28⅝	27⅞
Alberta Energy	12½	11⅞
Alcan Aluminium	45¼	44⅝
Algoma Steel	14	13½
Bank Montreal	32	31½
Bank NovaScotia	16⅝	15½
Cambell Red L	27¾	27⅛
Can. Cement Pt.	14	14
Can. NW Energy	15⅞	15¾
Can. Packers	16⅝	18⅛
Can. Trustco	47⅛	47⅛
Can-Imp. Bank	17¾	17⅝
Can Pacific	16¼	15⅞
Can Tire C	14⅞	15⅝
Canfor	13¾	13⅝
Carling O'Kfe	14	14
Chieftain	9¾	9¾
Dome Petroleum	1.25	1.30
Domtar	34⅝	33
Falconbridge	18¾	18¾
Fed. Inds. A	16⅞	17
Gendis A	18	18½
Giant Y'knife	22⅝	23¼
Gt. West Life	8.50	8.50
Gulf Canada	14¾	14⅝
Hawker Sid. Can	27¾	27¾
Hudson's Bay	26¾	27¼
Husky Oil	9¼	8½
Macmil Bloedel	37⅝	37
Magna Int	34¾	35⅝
McIntyre Mines	37	38¾
Mitel Corpn	6⅝	6
Molson A	25⅛	25
Moore. Corp	32¼	31⅝
Nat. Bank Can	27¼	28⅛
Noranda Inc	19⅝	18⅝
Norcen Energy	14⅝	14
Nth. Telecom	41⅝	41
Nova Alberta	5.13	5
Reed Stenh'se A.	57¾	55¼
Rio Algom	23	22¼
Royal Bank Can.	31⅞	32¼
Royal Trust A	34⅛	33½
Sceptre Res	2.70	2.65
Seagram	84⅛	84½
Sears Can. A	12⅞	12¼
Shell Can. A.	25	23
SHL System'hse.	26½	27½
Sherco A	22⅜	21¾
Teck B	25	23¾
Texaco (Canada)	29	28

COMMODITIES AND AGRICULTURE

Aluminium leads LME price rise

BY RICHARD MOONEY

WHILE THE strength of the platinum and gold markets continued to make the headlines this week some of the London Metal Exchange's humbler base metals contracts also recorded quite substantial gains.

The biggest rise was cash aluminium's £38 to £812 a tonne—a three month high. This reflected growing concern about a squeeze on nearby supplies, exacerbated by continuing strikes at several US smelters, but there were also suggestions that the price was being supported artificially by short-covering by traders who had granted call (buying) options at lower levels.

One analyst said this was masking a significant worsening in the overall supply demand balance in spite of the loss of between 130,000 and 150,000 tonnes of US production during the summer.

Another analyst said the aluminium market had borrowed some of its strength from the copper market, which also put in its strongest performance for some time.

News that workers at Noranda's Horne, Quebec, smelter had rejected overwhelmingly the company's "final" contract offer helped to lift the LME's cash Grade A copper contract by £9.50 to £912.50 a tonne yesterday, taking the rise on the week to £37.

The copper market had been depressed since June, when workers at most of the big US production facilities settled for cost reducing contract terms rather than risk job losses. But it broke decisively out of its summer doldrums this week as traders reached the conclusion that the subsequent price fall had gone too far. Although LME stocks remain high and demand is still relatively weak, hopes that consumption will pick up significantly as industry returns from its summer break encouraged the market's firmer sentiment.

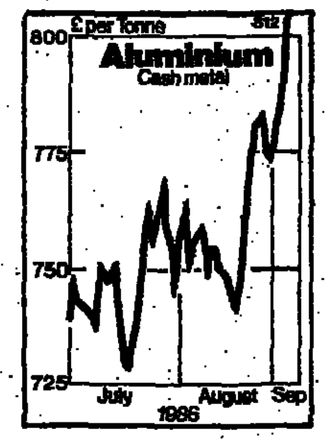
On London's coffee futures market prices performed somewhat erratically before ending with a further substantial gain. With concern about Brazilian supplies following last year's protracted drought remaining uppermost in dealers' minds prices moved strongly ahead on Monday, when the November position closed at a five-month high of £2,382 a tonne. But the market suffered a set-back over the next two days which was only partly made up by rises on Thursday and Friday. September coffee finished the week £99 up on balance at £2,366.50 a tonne.

A claim by Mr Carlos Calmon, president of the Rio Coffee Trade Association, that Brazil, the world's biggest producer, may be forced to import coffee because of the drought damage, served to underpin recent gains.

The gradual erosion of the more bullish sentiment which characterised the world sugar market earlier in the year continued this week. The London daily sugar price ended $11 lower at $118 a tonne, down more than $100 from the 1986 peak reached in April and only $2 above the January low.

The new mood of the sugar market was underlined by a report published this week by E. D. & F. Man, the London broking house, which said the world sugar market could be "very depressed" during the final quarter of this year.

It forecast a 1986/87 crop of 99.65m tonnes, up 720,000 tonnes from 1985/86, and said this pointed to "another year of virtually nil stock draw-down."



Man's report was markedly more bearish than one published tw oweeks ago by C. Czarnikow, another influencial London broker. While its production estimate was similar to Man's at 99.7m tonnes it predicted a drawdown from stocks of 3.5m tonnes.

The cocoa futures market had a quiet week, with the December position finishing unchanged, as traders awaited news from the London talks at which consumers and producers are trying to put the finishing touches to the draft International Cocoa Agreement agreed in Geneva in July. Their main problem has been to agree an interim arrangement to cover the period between the expiry of the present pact on September 30 and the coming into force of the new accord, which will have to wait until sufficient formal ratifications are received from participating countries.

Delegates said yesterday the talks had produced near agreement on the Agreement's budget for next year and draft plans for the transition phase, which is expected to last for about four months. The interim plan is being sent to the United Nations in New York for legal clearance, they said.

WEEKLY PRICE CHANGES

[illegible]

INDICES

REUTERS

[illegible]

DOW JONES

[illegible]

ALUMINIUM

[illegible]

ZINC

[illegible]

COPPER

[illegible]

GOLD

[illegible]

LEAD

[illegible]

SILVER

[illegible]

NICKEL

[illegible]

COCOA

[illegible]

COFFEE

[illegible]

SOYABEAN MEAL

[illegible]

GRAINS

[illegible]

OIL

[illegible]

GAS OIL FUTURES

[illegible]

FREIGHT FUTURES

[illegible]

RUBBER

[illegible]

U.S. MARKETS

THE HIJACKING of the Pan Am airliner in Karachi lent further impetus to the volatile precious metals markets, reports Heinold. December gold, following a high London fixing at $418.25, extended its gains to reach $430 per ounce to establish further contract highs before eventually settling nearly $13m up on the day. Traders said that nervousness surrounding potential consequences of the hijacking could provide sustained support in spite of the market's recent heights. Elsewhere it was a reasonably uneventful day with New York sugar futures slumping below 5.00 cents in the October delivery to hit new lows at 4.86 cents per pound. A new report foreseeing good crops and surpluses in the 1986-87 season was seen to exacerbate an already parlous technical situation.

NEW YORK

ALUMINIUM 40,000 lb. cents/lb

	Close	High	Low	Prev
Sept	54.05	53.80	53.80	53.46
Oct	54.25	—	—	53.65
Nov	54 60	—	—	54.00
Dec	54.90	54.90	54.40	54.30
Jan	55.10	—	—	54.50
March	55.25	55.25	55.25	54.65
May	55.60	—	—	55.00
July	55.85	—	—	55.25
Sept	56.05	—	—	55 45
Dec	56.15	—	—	55.55

[illegible]

CHICAGO

[illegible]

LONDON STOCK EXCHANGE

Equities and Golds higher but Gilts weaken further

Account Dealing Dates

Option

*First Dealings	Declarations	Last Dealings	Account Day
Aug 11	Aug 28	Aug 29	Sept 8
Sept 1	Sept 11	Sept 12	Sept 22
Sept 15	Sept 25	Sept 26	Oct 6

* "New-time" dealings may take place from 9.30 am two business days earlier.

Blue chip issues closed higher again yesterday to complete their fourth successive weekly rise in London but the majority of leading shares settled well below the session's best levels. The market opened full of expectancy behind Wall Street's surge to a record level on Thursday; the Dow Jones index jumped 38 points to a new peak of 1,919.71 amid revived hopes that US inflation will remain low.

Market confidence was also boosted by the UK Chancellor's encouraging view of Britain's economic prospects, providing pay deals are not too high. Dealers assumed that share prices would advance sharply and early gains of double-figures in the FT indices soon proved the point. However, institutional buyers refused to mount a serious assault on the market and the movement was reversed.

The FT Ordinary share index shed much of an early 12.5 rise to close 4.1 up on the day and 26.5 higher on the week at 1,338.4, while the FT-SE 100 share index slipped back from 1,694.3 to end a net 4.5 better at 1,684.8.

Newcomer Yorkshire TV attracted a large trade, although the combined turnover of all five London market makers fell short of expectations. The opening premium of 25p on the offer for sale price of 125p was in line with estimates for an issue oversubscribed 51 times on application and after rising to 31p reverted to 25p, the price closing at 150p.

Afternoon business was enlivened through the erratic early behaviour of the US market yesterday and later dominated by events in the UK brewing sector. Allied-Lyons announced a joint agreement with Gulf Canada to acquire Hiram Walker Spirits — Allied will have the controlling stake—and still later speculation arose that Hanson Trust had sold its Courage brewing subsidiary to US group Anheuser-Busch.

Gold and Platinum shares featured strongly as the recent upturn gathered momentum with dealers reporting their busiest day for some time. A further spurt by platinum and bullion prices—gold jumped $14 to $420.5 an ounce, its best level since August 1983—sparked off a wave of local and international buying which continued throughout the session to leave gold shares with gains in excess of £5. The FT Gold Mines index advanced 27.6 more to 308.6, extending the rise on the week to one of almost 60 points. Australian Golds registered substantial gains with particular emphasis placed on the many junior exploration stocks.

Government securities finished the week in bedraggled fashion, still influenced by the weakness of US bonds and UK Gilt futures. Longer maturities made several attempts to rally but they were unsuccessful and prices closed at the lowest with fresh falls extending to ¼. The absence of new official funding, which was considered a possibility, failed to restore confidence in the after-hours' trade.

Kleinwort good

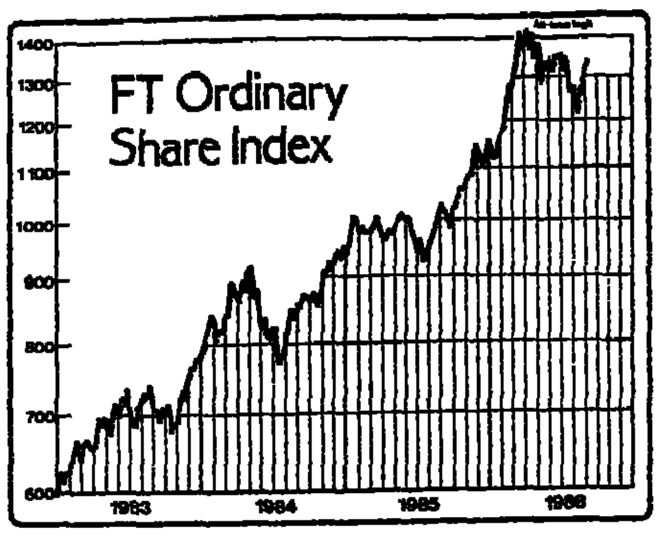
Press suggestions of a possible US bid for the company stimulated speculative support for Kleinwort Benson which closed 40 higher at 815p. Mercury International rose 15 to 355p. Elsewhere in the Banking sector, Lloyds encountered further scrappy selling and shed 7 to 448p, but the other major clearers displayed modest gains.

Business in Breweries was dominated by Allied-Lyons; down to 338p at one stage reflecting nervous offerings, the shares recovered on news of the Hiram Walker Spirits deal and made further progress after-hours to close 13 dearer on balance at 353p amid strong rumours that US concern Anheuser-Busch had bought Hanson Trust's Courage division, previously seen as a possible target for Elders IXL. Hanson, 8 dearer at 201p, refused to comment on the speculation. Elders, which earlier in the week received the green light from the Monopolies Commission to resume its bid for Allied, closed unchanged at 190p.

Leading Buildings generally failed to hold initial gains of several pence and eased back in the absence of follow-through support. Blue Circle, a firm market in recent days reflecting vague takeover rumours, touched 571p prior to closing 3 cheaper at 565p. Costain, interim figures due next Wednesday, settled 4 off at 584p, but Tarmac, with half-year figures due on September 22, hardened a couple of pence to 492p, after 494p. A fresh burst of buying interest lifted Helical Bar to 270p before the close of 8 higher on the day at 268p. Berkeley Group attracted support at 242p, up 9 and Stanley Miller gained 4 to 35p. Elsewhere, Persimmon shed 5 to 250p following the interim results and proposed £6.5m rights issue.

Leading Retailers again proved to be a relative backwater. Woolworth met occasional interest, however, and rose 15 to 690p, while Harris Queensway put on 4 to 244p, but other counters were content to hover around the overnight positions. Takeover speculation prompted interest in Fine Art Developments, 10 dearer at 180p, while USM-quoted T. and S. Stores, interim results due September 18, were marked 15 higher to 230p.

Shoes and Leather issues highlighted Garnar Booth which met renewed demand and rose 11 for a two-day gain of 20 to 165p.



Cable & Wireless down

Cable and Wireless, unsettled by comment about the threat of nationalisation of its subsidiary, Mercury, came under selling pressure and fell 13 to 322p. Among other Electrical issues, Bowthorpe were supported again at 560p, up 10; the interim figures are expected on October 7. Logica, a rising market since the announcement of the Star Wars contract earlier in the week, improved 5 further to 230p.

With the exception of Vickers, up 8 more at 433p, ahead of interim figures scheduled for the end of this month, leading Engineers were rarely altered. Elsewhere, demand persisted for Glynwed, 8 dearer at 324p.

Food Retailers continued to trade firmly. J. Sainsbury, still reflecting a broker's recommendation gained 6 more to 424p despite reports of a sizeable share placing. Tesco hardened 3 to 418p, while Bejam touched 170p prior to closing the same amount up at 168p; Hazlewood, the latest in the list of companies mentioned as possible bidders for Bejam, gained 8 to 156p, a two-day rise of 16. Barker and Dobson moved ¾ to 14¼p on rumours of a broker's circular.

British Aero. sold

British Aerospace, scheduled to reveal interim figures next Wednesday, encountered nervous selling and fell away to close 15 cheaper at 486p. Elsewhere in miscellaneous industrials, Cookson continued to respond to the good interim figures with a further gain of 11 at 521p, after 528p. P. and W. Maclellan, in contrast, dipped 7 to 50p on lower mid-term earnings, but satisfactory half-year results prompted a gain of 8 to 118p in PCT. Avon Rubber, an old takeover favourite, put on 10 to 363p, while buyers showed fresh interest in Powell Duffryn, which closed 6 better at 288p. Demand in a limited market left Reed Executive 22 higher at 405p, but further profit-taking after the interim figures left Portals another 5 lower at 520p. Isotron, preliminary results expected next Wednesday, advanced 11 to 235p. Steetley, 520p, and Williams Holdings, 680p, put on 15 apiece, while other bright spots included Parkfield, 10 to the good at 485p, and Wolseley, which improved 7 further to 587p. Leading issues fluctuated within relatively narrowly limits within relatively narrow limits before settling little altered on balance. Pilkington Brothers, however, met with buying interest and moved up 14 to 451p.

Reflecting the successful market debut of Yorkshire TV, Anglia Television rose 16 to 276p and LWT firmed 5 to 355p. Elsewhere in the Leisure sector, Lee International attracted fresh support and closed 11 higher at 173p, while Fairline Boats improved 5 to 180p. Photographic were 9 up at 84p and Nationwide 4 higher at 82½p.

Motor and aircraft Components attracted a lively two-day business. FR featured, rising 23 to 353p, after 360p, amid talk that the company had won lucrative orders from the Farnborough Air Show. Lucas, up to 568p earlier, settled a net penny lower at 560p. Among Distributors, Lex Service responded to revived demand, much of which was reported to have emanated from the US, and advanced 19 to 330p. News that companies controlled by Westmex and Charterhall hold just under 10 per cent of the equity lifted Lookers 3 more to 201p; the latter's shares have risen 32 on the week amid persistent speculative support.

Publishers made selective progress. Home Counties were marked 10 higher to 230p following the bumper interim profits, while further consideration of the first-half figures lifted William Collins A 17 to 320p, after 328p. Elsewhere, Fitzl shed 5 more to 218p—a decline of 17 since Thursday's announcement of a £197.4m rights issue.

Press suggestions that the company may be about to embark on a major fund raising exercise unsettled MEPC which dipped 13 to 337p. Land Securities slipped 3 to 323p. Elsewhere in the Property sector, Marborough, currently in bid discussions with I. D. & S. Rivlin, firmed 2 to 96p pending developments. Revived takeover rumours boosted Percy Bilton 6 to 300p, while news that Etablissement Finital had increased its stake to 10.78 per cent lifted Hampton Trust 2½ to 41p.

Investment Trusts finished the week on a firm note. The continued buoyancy of gold and platinum prices stimulated renewed demand for Precious Metal Trust which rose 10 more to 145p. Wemyss advanced 40 to 650p, largely reflecting the efforts of a single buyer. Financials provided some noteworthy features with Framlington attaining a year's peak of 778p before settling 28 up on balance at 766p in response to the preliminary figures. Other fund management groups rose in sympathy. M & G closed 6 up at 283p, while Henderson Administration improved 17 to 885p. Elsewhere, revived interest was evident for Asset Trust, 4 to the good at 72p.

BP advance

The leading Oils continued to perform impressively and made further good progress, boosted by the current firmness of spot oil prices. BP moved up 18 more to a year's high of 688p, while Shell settled a net 12 up at 965p, after a 1986 high of 970p. Among the secondary issues Petranol jumped 5 to 45p on further consideration of the interim results and accompanying statement. Bryson Oil and Gas advanced a further 5 to 55p — a jump of 17 since Wednesday's news that Mr D. H. Caspary and Charterhouse Investment Management had injected £840,000 into the company by subscribing for 1.1m and 1m new shares respectively.

The general re-rating of Overseas Traders prompted fresh interest in Lonrho, 4 up for a week's advance of 18 to 225p, partly reflecting the companies sizeable interests in precious metals. Inchape, still aided by a broker's favourable circular, hardened 3 more to 428p, while buyers displayed enthusiasm for James Finlay, 3 dearer at 88p.

Mining markets experienced their best day for many months — both in terms of turnover and price rises. Precious metals made further substantial progress in responce to fears of rising inflation and worries over the escalating violence in South Africa. Bullion, after pausing for breath on Thursday, resumed its upsurge and touched $425.5 before closing a net $14 up at $420.5 — its highest closing level for over three years — while platinum was quoted around $670 in the afternoon — a jump of around $50 on the week. Other metal prices, notably copper, aluminium, lead and zinc have also moved ahead in recent weeks.

South African Golds surged ahead from the outset with buying interest building up as the session wore on. Dealers reported particularly heavy demand from London operators during initial trading and this was later accompanied by persistent support from Johannesburg, the Continent and the US. Closing levels in Gold were easily the day's best, despite a tailing off in interest after-hours and the leaders posted gains well in excess of £5. In platinums Rustenburg raced up 40 to 525p while diamond producer De Beers added 16 to 486p. UK registered mining financials continued to attract good support with RTZ up 13 more to 637p and Consolidated Gold Fields — due to announce preliminary results on September 16 — 11 higher at 549p, after a year's high of 552p.

The Australian mining sector staged another broad advance led by Golds. In the latter GMK jumped 30 to 525p, Central Norseman 16 to 506p, Poseidon 16 to 143p, North Kalgurli 6 to 56½ and Pancontinental 7 to 122p. Carr Boyd, additionally boosted by favourable Press comment, raced up 13 to 58p. Junior exploration issues were highlighted by Allstate Exploration, 5 firmer at 15p and Thames Mining, up 3 at 16p. Elsewhere double-figure gains were common to CRA, 273p, Peko-Wallsend, 273p and Western Mining 161p.

Traded Options

Demand for Traded Options remained relatively buoyant. Total contracts struck amounted to 19,542. Once again, Hanson Trust positions proved popular with 2,053 calls and 231 puts transacted. British Petroleum were also in demand with 1,442 calls and 498 puts done. The strength of precious metal prices stimulated another lively business in Consolidated Gold Fields which recorded 866 calls and 130 puts.

TRADITIONAL OPTIONS

First Dealings	Last Dealings	Last Declaration	For Settlement
Sept 8	Sept 19	Dec 4	Dec 15
Sept 22	Oct 3	Dec 18	Dec 29
Oct 6	Oct 17	Jan 8	Jan 19

For rate indications see end of Unit Trust Service

Call options were taken out in Amstrad, North Kalgurli, Derek Bryant, Gestetner, Stewart Nairn, Securicor A, Camford Engineering, Authority Investments, Barker and Dobson, AGB Research, Bryson, Raglan Property Trust, Bristol Oil and Minerals, Dalgety, TVam, Pavion and Hawley. No puts were reported but a double was transacted in Amstrad.

STOCK EXCHANGE DEALINGS

Details of business shown below have been taken with consent from last Thursday's Stock Exchange Official List and should not be reproduced without permission. Details relate to those securities not included in the FT Share Information services. Unless otherwise indicated, denominations are 25p and prices are in pence. The prices are those at which the business was done in the 24 hours up to 3.30 pm on Thursday and settled through the Stock Exchange Talisman system; they are not in order of execution but in ascending order which denotes the day's highest and lowest dealing prices. For those securities in which no business was recorded in Thursday's Official List, the latest recorded business in the four previous days is given with the relevant date.

‡ Bargains at special prices. ⊕ Bargains done the previous day. Δ Bargains done with non-member or executed in overseas markets.

CORPORATION & COUNTY

Corp London 3½pcDb 83-93 £70½ (29/8)
GLC 6¾pc 90-92 £90
Birmingham DC 11½pc 2012 £112¼ ¾
Hull Corp 2½pc 1938 £23 (3/9)
Islington Corp 12¾pc 86-87 £100⅓16 (2/9)
Kensington Chelsea (Royal Borough) 11.15pc 2006 £108⊕ ½⊕
Salford Corp 5½pc 86-88 £93¼⊕
Southwark Corp 6¼pc 83-86 £99 ¼ (3/9)
Sunderland (Borough of) 11¼pc 2008 £113½
Tyne Wear CC 12pc 1986 £100 (2/9)

UK PUBLIC BOARDS

Local Authority 10½pc £99 61-64ths (29/8)

FOREIGN STOCKS

(coupons payable in London)

STERLING ISSUES BY OVERSEAS BORROWERS

BANKS, DISCOUNT

BREWERIES

COMMERCIAL, INDUSTRIAL

British Home Stores 6½pcDb 1989-94 £82¾ (1/9). 7¼pcDb 1994-98 £81½ (1/9)
Brit Printing Comm Corp 4.2pcPf (£1) 48 (29/8). 4.2pcPrf (£1) 52 (2/9). 6.5 pcPrf (£1) 84 (3/9)
Brit Shoe Corp Hldgs 6½pcPrf (£1) 58 (2/9). 6½pcPf (£1) 59 (2/9). 7pcLn 1985 90 £87¼
British Sidac 6pcDb 1985-90 £89
Brit Syphon Inds 7pcPrf (£1) 55 (3/9)
Brown (J.) A 28½ (29/8). 5¾pcLn (2003) (£1) 122 (2/9)
Brown Bros Corp 9pcLn 1987-92 £89 (2/9)
Brown (J) A 28½ (29/8). 5&pcLn (2003) £59 (1/9)

Normans Gp 8¼pcLn 1999-2004 £100
Norsk Data AS B (non-vtg) (NK20) $30½ (1/9)
North British Steel Gp (Hldgs) 280
Northern Engineering Inds 5.375pcPf (£1) 67 (1/9). 7pcLn 2000-05 £68⊕. 8¼pcLn 1988-93 £88½. 9pcLn 1990-95 £88½ (29/8)
Owen Robinson B (non-vtg) (£1) £36 7 (3/9)
Owen Owen 7¼pcLn 1988-93 £80
PLM AB B (SK25) SK167½⊕
Parkland Textile (Hldgs) 137 40 (3/9). 4.2pcPf (£1) 50 (29/8)
Paterson Zochonis 10pcPf (£1) 125 7 (3/9)
Pavilion Leisure Hldgs (10p) 40

12pcSubn 2001 £43¼ (3/9)
Stock Exchange 10¼pcDb 2016 £102¼ (3/9)
Templeton Galbraith Hansberger (Lim Vtg) ($0.01) 218⊕ 22⊕
Transcontinental Services Gp NV Wts sub Shs 126 (29/8)
Utd Leasing 9½pcCnvLn 1996-2001 £95 8
Value Income Tst Wts sub Ord 11 (3/9). 6¼pcNetCumCnvPf 100 1

INSURANCE

Commercial Union 5pcPf 1989-2009 (£1) 53
Ecclesiastical Ins Office 10pc2ndPf (£1) 124¼ ½ (29/8)
General Acc Fire Life Ass Cpn 7½pcLn 1987-92 £88 (1/9). 7¾pcLn 1992-97 £89½ (2/9)
Guardian Royal Exc Ass 7pcPf (£1) 73 (2/9). 7pcLn 1986-91 £90½⊕
Pearl Ass 6pcPf (£1) 75 (1/9)

INVESTMENT TRUSTS

Baillie Gifford Japan Wrnts 317⊕ 20⊕
Baillie Gifford Shin Nippon Wrnts 44⊕ 50
Bankers Investment 10½pcDb 2016 (£25 pd) £27⅞ (3/9)

UNIT TRUSTS

MINES—MISCELLANEOUS

MINES—SOUTH AFRICAN

OIL

PROPERTY

PLANTATIONS

FINANCIAL TRUSTS

RAILWAYS

SHIPPING

UTILITIES

WATERWORKS

SPECIAL LIST

RULE 534 (4) (a)

Bargains marked in securities where principal market is outside the UK and Republic of Ireland. Quotation has not been granted in London and dealings are not recorded in the Official List.

BBB Design (5p) 70 (2/9)
Biomechanics Intnl (10p) 24
Broad Street (10p) 57½ 8 ½ 9 ½ 60
Cannon Street 7.7pcCnvPf 1994-98 625 (2/9)
Cobra Emerald NPV 58 (29/8)
Colline Intnl New (5p) 119 20
Continental Microwave (Hldgs) 6.0pcCnv Pf 2005 (£1) 70 (29/8)
Cramphorn (50p) 340 (29/8)
Eadie Hldgs 55 6 7 8
F and H Group (10p) 160⊕
Fergabrook 12pcCnvLn 1992-97 £105 (2/9)

Aust. Foundation Inv. £3 (3/9)
Bayerische Motoren Werke DM629.0
Bayerische Vereinsbank £190½⊕
Beach Petroleum 27¼⊕ (1/9)
Black Hill Minerals 160 (3/9)
B.P. Canada £14¾⊕ (3/9)
Brambles Indust. 249⊕ (1/9)
C.S.F. (Thomson—C.S.F.) Fr1715.0
Carrefour Fr3475.0⊕ £363.0
CBI Industries £20¼⊕ (29/8)
Central Norseman old 465⊕ $A11.05⊕p 475 80 85
Cheung Kong (Hldgs) 212 (3/9)
City Developments $S2.07⊕ (29/8)

Mount Carrington Mines 320 (29/8)
Mount Martin Gold Mines 20 (3/9)
N.Z. Forest Products 90⊕ (29/8)
National Electronics (Consolidated) 4¼⊕ 4 5 (2/9)
Nationale-Nederlanden CVA (Fl2.5) Fl87.0
Nedbank Group 65⊕ (3/9)
NedLloyd Group NV £53¼
New World Development $H6.85 (2/9)
News Corp. £10.05⊕ £10⅛ (3/9)
Nicholas Kiwi Australasia 145 50
Nomura Securities $14.036
North Flinders Mines 328 (2/9)
Oil Co of Australia ($A0.35) 18⊕ (3/9)
Oil Search 20⊕ ½⊕ 1½⊕ 2⊕ 21½ 2 ½ 3 ½

UNLISTED SECURITIES MARKET

RULE 535 (2)

Applications granted for specific bargains in securities not listed on any exchange

Southern Newspapers (£1) 218 23 (2/9)
Teddale Invests (10p) 8½
Wessex Water 4½pc 1987 £75pc 8pc (29/8)
Winchmore 49 ½ (29/8)
Wistech (1p) 10½ 1½ 2
Wolverhampton Racecourse 115 20 (3/9)

RULE 535 (3)

Dealings for approved companies engaged solely in mineral exploration

Kenmare Oil and Exploration (Ir25p) 7 (3/9)

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FINANCIAL TIMES STOCK INDICES

	Sept 5	Sept 4	Sept 3	Sept 2	Sept 1	year ago	1986 High	1986 Low	Since Compilation High	Since Compilation Low
Government Secs	88.47	88.76	88.98	89.60	89.72	83.25	94.51 (18/4)	80.39 (20/1)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	94.84	95.01†	95.00†	95.25†	95.30†	88.40	97.68 (7/7)	86.55 (23/1)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary ♥	1,338.4	1,334.3	1,324.6	1,320.0	1,322.7	1020.8	1,425.9 (3/4)	1,094.3 (14/1)	1,425.9 (3/4/86)	49.4 (26/6/40)
Gold Mines	308.6	281.2	283.5	268.0	262.0	334.2	357.0 (27/1)	185.7 (18/7)	734.7 (15/2/83)	43.5 (26/10/71)
Ord. Div. Yield	4.13	4.14	4.18	4.18	4.17	4.63				
Earnings Yld.%(full)	9.50	9.52	9.57	9.62	9.64	11.36				
P/E Ratio (net) (*)	12.93	12.90	12.83	12.77	12.73	10.91				
Total Bargains (Est)	20,726	21,411	22,057	21,683	24,886	22,561				
Equity Turnover £m.	—	623.48	583.92	520.22	551.86	464.99				
Equity Bargains	—	22,620	22,393	22,981	23,863	20,177				
Shares Traded (ml).	—	276.0	253.8	237.5	267.7	225.3				

S.E. ACTIVITY

Indices	Sept. 4	Sept. 3
Gilt Edged Bargains	112.3	135.7
Equity Bargains	146.6	144.4
Equity Value	1260.2	1180.2
5-Day Average		
Gilt Edged Bargains	105.3	104.6
Equity Bargains	154.4	156.6
Equity Value	1276.6	1312.7

♥ Opening	10 a.m.	11 a.m.	Noon	1 p.m.	2 p.m.	3 p.m.	4 p.m.
1344.8	1342.8	1338.8	1336.7	1336.1	1336.4	1334.8	1335.4

Day's High 1346.8. Day's Low 1334.8. †corrected

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold Mines 12/9/55, SE Activity 1974 *Nil=12.40.

LONDON REPORT AND LATEST SHARE INDEX: TEL. 01-246 8026

YESTERDAY'S ACTIVE STOCKS

Above average activity was noted in the following stocks yesterday.

Stock	Closing price	Day's change	Stock	Closing price	Day's change
Beecham	418	—	Lex Service	338	+19
British Aerospace	488	−15	Sainsbury (J.)	424	+ 6
BP	688	+18	Sangers Photo	84	+ 9
Cookson	521	+11	Shell Transport	965	+12
De Beers Dafd	496	+16	Vaal Reefs	£52⅝	+ 5⅞
Glaxo	£10½	+ 0⅜	Yorkshire TV	150	—

Based on bargains recorded in SE Official List

THURSDAY'S ACTIVE STOCKS

Based on bargains over the five-day period ending Thursday

Stock	No. of changes	Thurs. close	Day's change	Stock	No. of changes	Thurs. close	Day's change
Glaxo	19	£10½	+ 0⅜	P&O Dafd	14	546	+ 5
Allied-Lyons	18	340	− 7	Reed Intl	14	285	+13
Cons Gold Flds	15	539	− 3	De Beers Dafd	13	480	− 8
Vaal Reefs	15	£47	− 1¼	Blue Circle	13	568	—
Brammer	14	292	+ 4	ICI	12	£10⅞	− 0⅜
Jaguar	14	540	+12	Amstrad	11	138	− 6

5-DAY ACTIVE STOCKS

Stock	No. of changes	Last Thurs. close	Change on week	Stock	No. of changes	Last Thurs. close	Change on week
ICI	129	£10⅞	+ 0⅜	Lloyds Bank	102	455	+13
BP	121	670xd	+16	BTR	101	320	+24
NatWest Bank	120	555	+13	Brit Telecom	97	198	− 2
Amstrad	119	138	+ 2	Barclays	96	507xd	+ 4½
Glaxo	111	£10⅜	+ 0½	Allied-Lyons	95	340	+ 5
Cons Gold Flds	102	539	+42	Shell Trans	94	953	+23

NEW HIGHS AND LOWS FOR 1986

NEW HIGH (144)

AMERICANS (2), CANADIANS (4), BREWERS (1), BUILDINGS (5), STORES (7), ELECTRICALS (8), ENGINEERING (3), FOODS (7), HOTELS (1), INDUSTRIALS (22), INSURANCE (1), LEISURE (2), MOTORS (4), PAPER (2), PROPERTY (6), TEXTILES (3), TRUSTS (36), OILS (9), OVERSEAS TRADERS (1), MINES (20)

NEW LOWS (14)

BRITISH FUNDS (4) Treas. 3 pc 1991, Conv 10pc 1996, Treas. 8½pc 2007, Treas. 8pc 2009, INDUSTRIALS (3) Ovenstone, Ropner, Toye. INSURANCE (1) Bryant (Derek), LEISURE (1) Nimslo Intl., TRUSTS (1) British Assets 6pc CvLn 1995, OILS (2) Ohio Resources, Sun (UK) Royaltoy, MINES (2) Regent Mining, Colby Resources.

RISES AND FALLS ON THE WEEK

	Yesterday Rises	Yesterday Falls	Yesterday Same	On the week Rises	On the week Falls	On the week Same
British Funds	0	106	8	150	275	145
Corporations, Dom and Foreign Bonds	1	19	48	13	71	256
Industrials	370	207	941	1,957	1,105	4,540
Financial and Properties	159	61	357	818	389	1,681
Oils	35	11	68	141	84	345
Plantations	5	0	9	17	2	51
Mines	103	8	74	427	101	397
Others	105	34	63	351	223	426
Totals	778	446	1,568	3,874	2,250	7,841

LEADERS AND LAGGARDS

Percentage changes since December 31, 1985, based on Thursday, September 4, 1986

Metals and Metal Forming	+47.02	Mechanical Engineering	+22.52
Textiles	+42.12	Mining Finance	+21.75
Publishing and Printing	+40.75	500-Share Index	+21.43
Motors	+40.01	Merchant Banks	+21.40
Contracting, Construction	+37.81	Industrial Group	+21.28
Packaging and Paper	+33.98	All-Share Index	+21.20
Chemicals	+33.70	Stores	+20.61
Tobaccos	+32.58	Brewers and Distillers	+20.16
Building Materials	+30.51	Financial Group	+19.45
Other Industrial Materials	+30.43	Office Equipment	+17.26
Health and H'sehold Products	+30.22	Property	+17.19
Electricals	+26.08	Insurance (Life)	+15.18
Banks	+25.36	Food Retailing	+13.47
Investment Trusts	+25.13	Shipping and Transport	+13.12
Capital Goods	+24.97	Overseas Traders	+11.96
Consumer Group	+24.65	Gold Mines Index	+11.17
Food Manufacturing	+24.20	Other Groups	+10.80
Leisure	+24.14	Electronics	+ 9.08
Oils and Gas	+23.01	Insurance Brokers	+ 2.22
Insurance (Composite)	+22.70	Telephone Networks	− 9.79

High	Low	Company	Price	Change	Gross div.(p)	Yield %	P/E Actual	P/E Fully taxed
146	118	Ass. Brit. Ind. Ord.	132	—	7.3	5.5	8.1	7.5
151	121	Ass. Brit. Ind. CULS	131	—	10.0	7.6	—	—
125	43	Airsprung Group	105	—	7.6	7.2	6.6	5.9
46	28	Armitage and Rhodes	35	—	4.2	12.0	4.9	4.5
196	108	Bardon Hill	185	—	4.6	2.5	21.0	19.3
81	42	Bray Technologies	81	—	4.3	5.3	9.6	8.8
201	75	CCL Ordinary	87	—	2.9	3.3	6.2	9.7
152	86	CCL 11pc Conv. Pf.	87	—	15.7	18.0	—	—
242	80	Carborundum Ord.	241	—	9.1	3.8	11.6	11.9
94	83	Carborundum 7.5pc Pf.	93	—	10.7	11.5	—	—
78	46	Deborah Services	78	—	7.0	9.0	8.1	10.7
32	20	Frederick Parker Group	23	− 0½	—	—	—	—
125	60	George Blair	117	− 2	3.8	3.2	3.0	4.3
71	20	Ind. Precision Castings	71	—	3.0	4.2	18.7	15.7
218	156	Isis Group	166	—	18.3	11.0	9.5	7.4
124	101	Jackson Group	124	—	6.1	4.9	8.4	7.6
377	228	James Burrough	374	—	17.0	4.5	10.5	9.6
100	85	James Burrough 9pcPf.	98	—	12.9	13.2	—	—
95	56	John Howard Group	68	—	5.0	8.9	—	—
1035	342	Multihouse NV	850	−25	—	—	44.5	58.1
380	280	Record Ridgway Ord.	375	—	—	—	6.7	11.6
100	89	Record Ridgway 10pcPf	89	—	14.1	15.8	—	—
82	32	Robert Jenkins	75	—	—	—	3.3	4.7
38	28	Scruttons "A"	38	—	—	—	—	—
111	66	Torday and Carlisle	111	—	5.7	5.1	6.7	6.8
370	320	Trevian Holdings	322	—	7.9	2.5	6.7	8.8
70	25	Unilock Holdings	69	—	2.8	4.1	12.7	11.9
203	93	Walter Alexander	192xd	—	9.9	5.2	9.2	8.8

LONDON RECENT ISSUES

EQUITIES

Issue Price	Amount Paid up	Latest Renunc. Date	1986 High	1986 Low	Stock	Closing Price	+ or −	Net. Div.	Times Cov'd	Gross Yield	P.E. Ratio
160	F.P.	5/9	185	165	Acatos & Hutcheson50p	185	+1	bd5.25	2.9	4.0	12.3
§115	F.P.	22/8	164	128	§Anglia Sec Homes10p	163	......	R1.63	5.0	1.4	20.1
§115	F.P.	29/8	125	118	‡Atlas Conv'tingEqu5p	123	......	R4.9	2.3	5.6	11.1
§67	F.P.	8/8	71	68	‡BBB Design Grp 5p	68	......	L1.0	4.2	2.1	16.3
‖‖	F.P.	—	318	280	BTR Nylex A$0.50	303	......	Q15c	2.7	2.1	17.7
‖‖	F.P.	—	53	41	Bertrams Inv. Tst	43	......	—	—	—	—
§43	F.P.	—	57	50	‡Broad St. Grp.10p	58	−1	bL1	2.2	2.7	24.0
100	F.P.	4/9	85	84	Child Med C.ITE1‡‡	85	......	—	—	—	—
§110	F.P.	12/9	124	111	‡Collins Int 5p	120	......	R2.7	3.4	3.2	13.1
134	F.P.	—	161	134	‡F & H Group 10p	161	+1	L4.76	2.5	4.2	13.3
210	F.P.	—	210	191	G. T. Management 1p	208	......	R3.0	3.4	2.0	17.5
150	F.P.	25/7	172	150	Guthrie Corp	172	......	e5.3	2.2	4.3	11.0
150	F.P.	15/8	165	156	Harrison Inds. 10p	162	......	g5.0	2.7	4.3	12.1
§92	F.P.	20/8	95	87	‡Hille Ergonom 10p	90	......	L2.0	3.1	3.1	12.4
105.25	F.P.	—	108	104	India Fund £1	108	......	—	—	—	—
—	F.P.	29/8	£39	£36	JF Pacific Warrant S.A.	£38½	......	—	—	—	—
110	F.P.	5/9	98	90	‡Marina Dev. 50p	95	......	R3.13	3.0	4.6	9.1
§33	F.P.	29/8	34	27	‡Omnitech 1p	30	......	—	—	—	—
§120	F.P.	29/8	120	107	‡Personal Comps. 5p	107	......	R3.0	3.3	3.9	10.9
§165	F.P.	1/8	184	157	‡Smallbone 10p	160	......	a5.0	2.1	4.4	14.9
§110	F.P.	28/8	125	119	Stanley Leisure	125	......	a3.25	2.8	3.7	13.9
145	Nil	3/10	21pm	11pm	Sutcliffe Speak Utsf	21pm	+1	—	—	—	—
130	F.P.	21/8	169	137	‡TV-am 10p	169	+3	R5.75	2.6	4.8	11.3
‖‖	F.P.	—	163	152	VSEL Consortium £1	163	......	W5.60	4.3	4.9	5.1
††	F.P.	—	100	95	Welsh Ind. Inv. Tst. 5p	95	......	—	—	—	—
125	F.P.	—	156	150	Yorkshire TV	150	......	86.25	2.4	5.9	10.2

FIXED INTEREST STOCKS

Issue Price £	Amount Paid up	Latest Renunc. Date	1986 High	1986 Low	Stock	Closing Price £	+ or −
£100	£10	23/10	10½	9½	Bournem'th & Dist Wtr 10½%Rd Db 1996	10½	+¼
¶	Nil	10/10	3ppm	2ppm	Egerton Tst 7% Cv Cm Red Pf	2ppm	......
99.160	F.P.	24/10	101¼	99½	Elect & Gen. Inv. 10¾% Deb. 2011	101	+¼
¶¶	F.P.	—	92	86	Hollis 252% Cnv. Subord. Ln. 1988 (2½p)	89	......
—	—	—	29	27½	JF Pacific Warrant S. A. Pref.	28¼	+½
105.523	F.P.	21/8	106½	98½	Land Securities 10% 1st. Mort. Deb.25	100	......
§100	F.P.	—	105	105	Mountleigh 5.25% Cnv. Cum. Prf.	105	......
§99.937	£25	24/10	25¼	23¼	Nationwide 3¾% IL Ln. 2021	25¼	......
—	F.P.	—	100⅛	100	Do 10¼% 17/8/87	100	......
—	F.P.	—	100⅛	99⅞	Do 9¾% 7/9/87	99⅞	......
§100	£10	—	10	10	Portsmouth Water 10⅛% Red Deb 1996	10⅛	+⅛
‖	Nil	—	8¼	8¼	Rush & Tompkins7.5%Cnv.Cum.Red.Prf.£1	8¼	......
‖	F.P.	30/9	106p	100p	Scantronic 5.75% Cnv. Cum. Red. Prf.	102p	......
96.645	£25	—	24¾	24¼	Scot. Met. Prop. 10¾% 1st Mort. Deb. 2016	24¾	......
‖	F.P.	16/9	103p	101p	Value & Inv. Tst. 6¾% Cum. Cnv. Red. Prf.	101½p	+½

"RIGHTS" OFFERS

Issue Price	Amount Paid up	Latest Renunc. Date	1986 High	1986 Low	Stock	Closing Price p	+ or −
fl2.50	Nil	—	350pm	330pm	Algemene Bank Fl100	330pm	......
168	Nil	10/10	23pm	17pm	Allied Irish Banks	23pm	+2
2	F.P.	10/10	7	3½	Assoc. Brit. Eng. 1p	7	......
190	F.P.	24/10	215	196	BBA Group	215	......
200	Nil	—	8pm	5pm	Berkeley Technolgy	7pm	......
138	Nil	10/10	7pm	2pm	Brown & Tawse	7pm	+1
276	Nil	14/10	30pm	25pm	FII Group	25pm	......
34	F.P.	6/10	39	37	Forward Tech	38	......
450	F.P.	26/9	495	488	Marler Estates	493	......
315	Nil	—	27pm	18pm	Sedgwick Group 10p	27pm	......
390	F.P.	3/10	507	495	WPP Group 10p	505	......

Renunciation date usually last day for dealing free of stamp duty. *a* Annualised dividend. *b* Figures based on prospectus estimates. *d* Dividend rate paid or payable on part of capital, cover based on dividend on full capital. *g* Assumed dividend and yield. *h* Assumed dividend and yield after scrip issue. F Forecast dividend cover on earnings updated by latest interim statement. H Dividend and Yield based on prospectus or other official estimates for 1987. L Estimated annualised dividend; cover and p/e based on latest annual earnings. R Forecast annualised dividend, cover and p/e ratio based on prospectus or other official estimates. W Pro Forma Figures *t* Indicated dividends; cover relates to previous dividend; p/e ratio based on latest annual earnings. *u* Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. ¶ Issued by tender. ‖ Offered holders of ordinary shares as a "rights." ‖‖ Introduction. ** Issued by way of capitalisation. § Placing price. §§ Reintroduced. ¶¶ Issued in connection with reorganisation merger or takeover. ▮ Allotment price. ‡ Unlisted securities market. †† Official London listing. ‡‡ Including warrants entitlement † Unit comprising of 1 New Ord., 1 9½% Red Prf. and 1 warrant.

EUROPEAN OPTIONS EXCHANGE

Series		Nov. Vol.	Nov. Last	Feb. Vol.	Feb. Last	May. Vol.	May. Last	Stock
GOLD C	$360	234	65	—	—	—	—	$420.75
GOLD C	$370	287	58	15	65	—	—	"
GOLD C	$380	46	48B	62	56	—	—	"
GOLD C	$390	52	44	5	50	2	60B	"
GOLD C	$400	89	38	146	46.50	—	—	"
GOLD C	$420	480	25	289	36	57	42.50B	"
GOLD C	$440	559	17.50	77	27.60	58	35	"
GOLD P	$360	90	2	2	5	3	6.50	"
GOLD P	$370	154	3	—	—	—	—	"
GOLD P	$380	245	3.50	4	7.50	4	13	"
GOLD P	$390	170	5.50	11	10	—	—	"
GOLD P	$400	159	8	10	16	8	17	"
GOLD P	$420	111	15B	—	—	—	—	"
		Sept.		Dec.		March		
SILV C	$500	—	—	10	70	79	80	$547
SILV C	$600	—	—	—	—	40	30	"
£/FL C	FL345	511	1.80	12	5.30	—	—	FL344.24
$/FL C	FL220	—	—	—	—	40	13B	Fl229.95
$/FL C	FL225	50	6A	113	8.70	10	10.40B	"
$/FL C	FL230	366	2.10	45	6.30A	2	8B	"
$/FL C	FL235	38	1	28	4.10	—	—	"
$/FL C	FL240	10	0.30	3	2.70	27	4.80	"
$/FL C	FL250	30	0.05A	—	—	—	—	"
$/FL C	FL255	900	0.05	—	—	1	1.60	"
$/FL P	FL225	305	0.70	84	4.40	123	6.60	"
$/FL P	FL230	27	2.50A	13	6.80	22	9A	"
$/FL P	FL235	20	5.30	11	9.50A	100	12A	"
$/FL P	FL240	62	9.50	9	13.20A	—	—	"
		Oct.		Jan.		Apr.		
ABN C	FL640	91	2	45	10.50	9	19	FL587
ABN P	FL580	44	6.80	37	13	—	—	"
AEGN C	FL110	160	2.90	32	6.30	77	9	FL108.10
AEGN P	FL100	33	1	52	2.50	—	—	"
AH C	FL100	17	2.50	75	5	—	—	FL96.50
AH P	FL95	57	3.80	127	6	—	—	"
AKZO C	FL170	734	2.60	346	7.40	11	11.50	FL164
AKZO P	FL160	867	2.90	451	5.90	—	—	"
AMEV C	FL80	116	2.10B	88	5.20	1	8A	FL79.80
AMEV P	FL80	97	2	26	3.20	—	—	"
AMRO C	FL110	133	2.30	74	6.30	10	8.50	FL107.10
AMRO P	FL95	29	0.30	—	—	—	—	"
GIST C	FL58	105	0.60	221	2	—	—	FL53.60
GIST P	FL56	252	3.50	—	—	—	—	"
HEIN C	FL180	173	8	27	11.50B	—	—	FL182
HEIN P	FL170	290	4	2	6	2	7.50B	"
HED C	FL72.50	25	14	—	—	—	2	FL71.30
HOOG C	FL95	296	0.20	11	1	15	—	"
HOOG P	FL70	40	2.50	137	4	29	5.50	"
KLM C	FL50	2558	1.30	404	2.90	106	4.20	FL47
KLM P	FL45	265	1B	466	2.50	27	3.10	"
NEDL C	FL170	216	15.40	3	21	—	—	FL184
NEDL P	FL170	160	1.40	27	3.50	—	—	"
NATN C	FL85	97	3.80	36	6.20	2	8.70	FL85.90
NATN P	FL85	64	2.40	197	5	—	—	"
PHIL C	FL55	495	2.20	126	4.10	175	5.80	FL56.10
PHIL P	FL60	15	4	57	5	520	6	"
RD C	FL210	3177	7.30	1102	11.50	314	16	FL216
RD P	FL210	1358	4	287	6.50	152	8.30	"
UNIL C	FL520	140	10	103	21B	6	35	FL518
UNIL P	FL480	85	1.80	29	6	8	8	"

TOTAL VOLUME IN CONTRACTS: 53,740

A=Ask B=Bid C=Call P=Put

BANK RETURN

BANKING DEPARTMENT

	Wednesday September 3, 1986		Increase (+) or decrease (−) for week.
LIABILITIES	£		£
Capital	14,553,000		—
Public Deposits	82,092,845	−	3,661,245
Bankers Deposits	862,982,994	+	6,6834,973
Reserve and other Accounts	1,428,482,000	+	78,728,020
	2,388,110,839	+	81,750,748
ASSETS			
Government Securities	550,881,311	+	67,925,800
Advance and other Accounts	79[illegible]869,420	+	57,987,180
Premises Equipment & other Secs.	1,02[illegible]673,431	−	47,370,818
Notes	11,425,293	+	3,223,907
Coin	261,384	−	14,521
	2,388,110,839	+	81,750,748

ISSUE DEPARTMENT

	£		£
LIABILITIES			
Notes in Circulation	12,668,574,707	−	163,223,907
Notes in Banking Department	11,425,293	+	3,223,907
	12,680,000,000	−	160,000,000
ASSETS			
Government Debt	11,015,100		—
Other Government Securities	3,203,886,278	+	662,837,278
Other Securities	9,465,098,622	−	822,837,278
	12,680,000,000	−	160,000,000

AUTHORISED UNIT TRUSTS

FT UNIT TRUST INFORMATION SERVICE

[illegible]

AUTHORISED UNIT TRUSTS & INSURANCES

Waverley Asset Management Ltd (a) (c) (g)
13 Charlotte Sq, Edinburgh 031-225 1551

Australasian Gold	20.1	21.4	+0.6	0.15
Pacific Basin	15.8	16.9	+0.2	0.2
Canadian Balanced Growth	58.4	62.4	+0.5	0.98
Capital Max	102.6	105.8	—	7.1

WestAvon Unit Trust Managers Ltd(a)(c)
9 Portland Square, Bristol BS2 8SS 0272 428431

British Smllr Co's (z)	58.3	60.0	+0.2	1.50
British Growth (z)	68.6	70.5	—	2.00
British Income (z)	67.9	69.8	—	5.00
British Extra Yield (z)	51.7	53.2	—	7.00

Whittingdale Unit Trust Managers
2 Honey Lane, London EC2V 8BT 01-606 9085/6

Short Dtd Gilt Fd	67.8	68.4	—	8.00
U.S. Gvmnt Bond Fd	50.512	0.515	—	—

Windsor Trust Mngrs Ltd
83 Kingsway, London, WC2B 6SD 01-405 8331

Capital & Equity Tst	49.9	53.1	+0.3	7.47
Growth Trust	53.7	57.2	+0.2	2.38
Income Trust	54.8	58.3	+0.4	5.00

Wright Seligman Fund Managers Ltd
11 Blomfield St, London EC2M 7AY 01-588 0592

Growth Fund	70.3	73.8	—	2.97

Weekly dealing day Tuesday

The Yorkshire General Trust
Woodsome Pk, Fenay Bdge, Huddersfield 0484 602250

Y.G.T.	128.5	136.8	+1.0	3.21

INSURANCES

AA Friendly Society
(Investment Mngt M & G Inv Mngt Ltd)
PO Box 93 Cardiff CF1 4NW 0222 35542

AA Friendly Sy Aug 8	—	103.1	—	—

Abbey Life Assurance Co Ltd
80 Holdenhurst Road, Bournemouth 0202 292373

Prop. Ser. 1	207.1	218.1	—	—
Equity Ser. 1	106.1	111.7	+0.5	—
Prop. Acc. Ser 2	278.7	293.4	—	—
Equity Ser 2	115.4	121.5	+0.7	—
Selective Acc.	243.6	256.5	+0.7	—
Prop. Ser. 4	220.1	231.7	—	—
Equity Ser. 4	118.1	124.4	+0.4	—
Fixed Int. Ser. 4	189.5	199.5	-0.5	—

City of Edinburgh Life Assurance
46 Charlotte Sq, Edinburgh EH2 4HQ 031-225 1685

Ivory & Sime Bond	103.0	109.0	+1.0	—
Risk & Reward Bond	120.0	127.0	—	—
Murray Johnstone Fd	124.0	131.0	—	—
Money Market Fd	101.0	107.0	—	—
Ivory & Sime Pens Fd	104.0	110.0	—	—
Risk & Reward Pens Fd	102.0	108.0	+1.0	—
Murray J'stone Pens Fd	121.0	128.0	—	—
Money Market Pens Fd	100.0	107.0	—	—

City of Westminster Assurance
Sentry House, 500 Avebury Boulevard, Cent. Milton Keynes MK9 2LA Tel: 0908 606101/660088

Current Series				
Property Fund	113.0	119.0	—	—
Money Fund	221.8	233.5	+0.1	—
Managed Fund	411.4	433.1	+0.8	—
Equity Fund	257.1	270.7	+0.1	—
Fixed Interest Fund	149.8	157.7	+0.4	—
Far East Fund	216.7	228.2	+0.7	—
North American Fund	176.5	185.8	+1.1	—
Natural Resources Fund	136.6	142.8	+0.5	—
Pension Managed Fund	383.9	404.2	+1.2	—
Pension Equity Fund	243.1	255.9	-0.3	—
Adventurous Mngd Fd	109.5	115.3	+0.2	—
Balanced Mngd Fd	105.9	111.5	+0.2	—
Conservative Mngd Fd	105.9	111.5	+0.2	—
European Fund	105.5	111.1	—	—
International Fund	104.9	110.5	+0.1	—

For other prices please telephone 0908 606101/660088

Clerical Medical/Fidelity International
Narrow Plain, Bristol BS2 0JH 0272 290566

Investment Funds				
Mixed	135.6	142.8	-0.2	—
Equity	154.8	163.0	+0.5	—
Property	109.0	114.8	—	—
Gilt & Fixed Interest	115.2	121.3	-1.0	—
Indexed Securities	101.4	106.8	—	—
Cash	107.3	113.0	+0.1	—
North American	108.3	114.1	-0.3	—
Far East	131.8	138.8	-0.4	—
International	126.5	133.2	-0.4	—
Special Situations	147.1	154.9	-0.4	—
International Income	142.0	149.5	+0.1	—
American Income	116.8	123.0	-0.3	—
European	150.0	157.9	-1.2	—
Flexible Retirement Plan				
Mixed	140.1	147.5	-0.1	—
Equity	150.1	158.1	+0.4	—
Property	114.3	120.4	—	—
Gilt & Fixed Interest	121.6	128.0	+0.2	—
Indexed Linked	105.1	110.7	+0.1	—
Cash	115.2	121.3	—	—
North American	113.7	119.7	-0.4	—

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INSURANCE, OVERSEAS & MONEY FUNDS

MANAGEMENT SERVICES

OFFSHORE AND OVERSEAS

World Fund S.A.
2 Boulevard Royal, Luxembourg

World Fund NAV	$15.30			—

World Wide Growth Management
10a, Boulevard Royal, Luxembourg

Worldwide Gth Fd	$17.17		+0.18	—

Inv. Adv.: M. & G. Inv. Mngt., Ltd, London

Yamaichi Dynamic Mngt Co SA
10A Boulevard Royal, Luxembourg

Advanced Tech	$18.45		-0.07	—
Dynamic Gwth Fd	$20.03		-0.12	—

Zero Bond Fund Limited
PO Box 208, St Peter Port, Guernsey 0481 26268

Zero Bond Fund	$12.21	12.40		—

Money Market Trust Funds

	Gross	Net	Gr Equiv CAR	Int Cr
The Charities Deposit Fund 2 Fore Street, London EC2Y 5AQ 01-588 1815				
Depos	9.65			3-Mth
The Money Market Trust 63 Qn Victoria St, EC4N 4ST. 01-236 0952				
Call Fund	9.83	7.39	10.26	
7-day Fund	9.80	7.33	10.21	10.65
Oppenheimer Money Management Ltd 66 Cannon St, EC4N 6AE. 01-236 1425				
Call Fnd	9.83	7.35	10.55	6-Mth
7-day Fund	9.67	7.23	10.37	6-Mth
Dollar	4.75	—	—	6-Mth

Money Market Bank Accounts

	Gross	Net	Gr Equiv CAR	Int Cr
Adam & Co. plc 22 Charlotte Sq, Edinburgh EH2 4DF 031-225 8484				
Full Service Cur Acc	9.25	6.80	9.62	Qtr
Aitken Hume 30 City Road, EC1Y 2AY. 01-638 6070				
Treasury Acc	9.25	6.91	9.99	Qtr
Mth. Int. Chq.	9.25	6.92	10.04	Mth
Allied Arab Bank Ltd 97-101 Cannon St, London, EC4N 5AD 01-283 9111				
High Int. Cheque Acc	10.125	7.57	11.04	Mth
Bank of Scotland 38 Threadneedle St, EC2P 2EH. 01-628 8060				
Money Mkt Cheque Acc	9.30	6.95	10.11	Mth
Barclays Prime Account PO Box 125, Northampton 0604 252891				
High Int. Cheque	9.50	7.00	10.12	Qtr
Benchmark Trust Ltd 9 Henrietta Place, W1M 9AG. 01-631 3313				
Cap Chq Deposit Acc	9.25	6.91	10.00	Mth
Charterhouse Bank Limited 1 Paternoster Row, EC4M 7DH. 01-248 4000				
Sterling	9.50	7.10	10.33	Mth
U.S. Dollar	5.375	4.02	5.76	Mth
German Marks	4.00	2.99	4.27	Mth
Swiss francs	1.50	1.12	1.59	Mth
Japanese Yen	4.00	2.99	4.27	Mth
Citibank Savings St Martins Hse, Hammersmith Grove 01-581 1422				
Money Market Plus	Top rate	7.00	10.18	Mth
For other rates please 'phone our Dataline 01-882 0629				
Co-operative Bank Cheque & Save 78-80 Cornhill EC3 01-626 6543				
£500-£2,500	6.69	5.00	7.18	Qtr
£2,500 +	9.38	7.00	10.12	Qtr
Dartington & Co Ltd Dartington, Totnes, Devon TQ9 6JE 0803 862271				
Money Mkt Acc	9.50	7.30	10.30	Qtr
Henderson/Bank of Scotland 38 Threadneedle St EC2P 2EH 01-628 8060				
Money Mkt. Cheque Acc	9.30	6.95	10.11	Mth
Legal & General (Money Mngrs) Ltd 355 Euston Road, NW1 3AG 01-388 3211				
High Int Dep Acc	9.70	7.25	10.39	6-mth
Lloyds Bank PLC 71 Lombard St, London EC3P 3BS 01-626 1500				
HighIntCheque Account	9.00	7.20	10.42	Qtr
Lombard North Central PLC 17 Bruton St, W1A 3DH 01-409 3434				
14-Day Notice	9.00	6.72	9.46	—
M & G/Kleinwort Benson M & G Hse., Victoria Rd., Chelmsford 0245 266266				
H.I.C.A. (£2,500+)	9.20	6.87	10.00	Daily
Midland Bank plc PO Box 2, Sheffield. 0742 20999 Ext 8655				
High Int Chq Acc	9.05	6.75	9.75	Qtr
£10,000 +	9.36	7.00	10.12	Qtr
M.I.M. Britannia Ltd 74-78 Finsbury Pavement, EC2A 1JD 01-588 2777				
Cater Allen	9.50	7.10	10.3338	—
NatWest Special Reserve Account 41 Lothbury, London, EC2P 2BP 01-256 9933				
£2,000 to £9,999	9.25	6.875	9.94	Qtr
£10,000 and above	9.375	7.00	10.12	Qtr
Oppenheimer Money Mgmt Ltd 66 Cannon St, EC4N 6AE 01-236 1425				
Money Mngt. Acct	9.50	—	—	3-Mth
Phillips & Drew Trust Ltd 120 Moorgate, London EC2M 6XP 01-628 9771				
High Int Chq Acc	9.75	7.29	10.55	Qtr
Provincial Trust 30 Ashley Rd, Altrincham, Cheshire 061-928 9011				
High Int Chq Acc	10.00	7.48	10.90	Mth
Royal Bank of Scotland plc 42 St Andrew Sq, Edinburgh EH2 2YE. 031-557 0201				
Premium Account	9.50	7.10	10.27	Qtr
Save & Prosper/Robert Fleming 28 Western Rd, Romford RM1 3LB. 0708 66966				
H.I.B.A.	9.10	6.80	9.91	Daily
Tyndall & Co 29-33 Princess Victoria St, Bristol 0272 732241				
Demand Acc	9.66	7.22	10.45	Qtr
Money Acc	9.36	7.00	10.12	Qtr
J. Henry Schroder Wagg & Co Ltd Enterprise House, Portsmouth 0705 827733				
Special Acc	9.00	6.73	9.77	Mth
Over £10,000	9.25	6.91	10.04	Mth
Western Trust & Savings Limited The Moneycentre, Plymouth PL1 1SE 0752 224141				
High Int Chq Acc	10.00	7.47	10.81	Qtr
Wimbledon & South West Finance Co Ltd 114 Newgate St, London EC1A 7AE. 01-606 9485				
High Int Cheque Acc	109.4	115.2	-0.3	Qtr

NOTES—Gross: rate to those exempt from composite rate of tax. Net: actual rate after deduction of CRT. Gr Equiv CAR: Gross equivalent to basic rate taxpayers—compounded annual rate. Int Cr: frequency interest credited.

NOTES

Prices are in pence unless otherwise indicated and those designated $ with no prefix refer to U.S. dollars. Yields % (shown in last column) allow for all buying expenses. a Offered prices include all expenses. b Today's prices. c Yield based on offer price. d Estimated. g Today's opening price. h Distribution free of UK taxes. p Periodic premium insurance plans. s Single premium insurance. x Offered price includes all expenses except agent's commission. y Offered price includes all expenses if bought through managers. z Previous day's price. ¶ Guernsey gross. # Suspended. ♦ Yield before Jersey tax. † Ex-subdivision. ‡‡ Only available to charitable bodies. ♦ Yield column shows annualised rates of NAV increase. xd ex dividend.

TRADITIONAL OPTIONS

3-month call rates

Industrials	p		p
Allied-Lyons	30	NEI	11
Amstrad	23	Nat West Bk.	48
BAT	35	P & O Dfd	45
BOC Grp.	28	Plessey	18
BSR	11	Polly Peck	16
BTR	28	Racal Elect.	16
Babcock	17	RHM	20
Barclays	45	Rank Org Ord.	45
Beecham	40	Reed Intnl	75
Blue Circle	55	STC	16
Boots	22	Sears	12
Bowaters	30	TI	42
Brit Aerospace	45	Tesco	32
Brit. Telecom	17	Thorn EMI	40
Burton Ord	28	Trust Houses	15
Cadburys	17	Turner Newall	18
Charter Cons.	22	Unilever	120
Comm Union	28	Vickers	40
Courtaulds	26	Wellcome	17
FNFC	17	**Property**	
Gen Accident	75	Brit Land	16
Gen Electric	17	Land Secs.	30
Glaxo	65	MEPC	32
Grand Met.	34	Peachey	24
GUS 'A'	85	Samuel Props	25
Guardian	75	**Oils**	
GKN	32	Brist. Oil & Min.	$3\frac{1}{2}$
Hanson Tst.	16	Brit Petroleum	48
Hawker Sidd.	40	Burmah Oil	30
ICI	55	Charterhall	4
Jaguar	38	Premier	$3\frac{1}{2}$
Ladbroke	32	Shell	55
Legal & Gen	24	Tricentrol	11
Lex Service	28	Ultramar	18
Lloyds Bank	38	**Mines**	
Lucas Inds	52	Cons Gold	40
Marks & Spencer	18	Lonrho	24
Midland Bk.	44	Rio T Zinc	50
Morgan Grenfell	30		

A selection of Options traded is given on the London Stock Exchange Report Page.

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

1986 High	1986 Low	Stock	Price £	+ or –	Yield Int.	Yield Red.
102½	100⅞	Exch. 14pc 1986	100⅞	.....	13.94	10.16
98	94¾	Exch. 2½pc 1986	98	.....	2.53	7.86
102½	100½	Exch. 13¼pc 1987	101½	–⅛	13.09	9.80
100⅞	97⅞	Treas 10½pcCv '87	100⅞	–⅛	10.24	9.84
97	92	Exch 2½pc 1987	97¼	.....	2.56	7.50
101⅞	97½	Exch. 10½pc 1987	100⅞xd	+⅛	10.45	9.80
98⅜	93¾	Funding 6½pc '85-87‡‡	98⅜	–⅛	6.61	9.09
101⅛	96	Treas. 10pc 1987	100⅛	–⅛	9.99	9.74
97	90⅞	Treas 3pc 1987	96	–⅛	3.11	7.55
104⅛	99⅝	Treas. 12pc 1987	102¼	–⅛	11.74	9.79
99¼	92	Treas 7¾pc 1985-88‡‡	97¼	–⅛	7.94	9.57
104	96¼	Exch 10½pc '88	101	–⅛	10.40	9.79
102⅝	95½	Treas 9½pc Cv '88	99	–⅛	9.76	9.76
94¼	86⅝	Transport 3pc '78-88	92½	–⅛	3.24	7.34
102½	93	Treas. 9½pc '88	99¼	–⅛	9.55	9.77
107	98	Treas 11½pc 1989	103	–⅛	11.06	9.63
103½	93½	Treas 9½pc Cnv. '89	99⅝	–⅛	9.54	9.65
92¼	82	Treas 3pc 1989	89	–⅛	3.34	7.27
105	95	Treas 10½pc 1989	101	–⅛	10.30	9.66
104	94	Exch.10pc 1989	100	–⅛	9.93	9.68
107	97	Exch 11pc 1989	103xd	–⅛	10.61	9.59
93	84½	Treas 5pc 1986-89	90	–⅛	5.50	8.37
110	94⅝	Exch 10½pcCv '89	103⅜	–⅛	9.88	8.84
114	103	Treas 13pc 1990‡‡	109¾	–⅛	11.85	9.49
108¼	97¼	Exch 11pc 1990‡‡	104¼	–⅛	11.56	9.54
113¼	101	Exch. 12½pc 1990	108⅝xd	–⅛	11.51	9.59
89⅝	79⅝	Treas. 3pc 1990	85⅞	–⅛	3.49	7.47
100	89⅝	Treas 8¼pc 1987-90‡‡	97¼	–⅛	8.48	9.07
106	93	Treas. 10pcCv 1990	101¼	–⅛	9.86	9.57
86	76½	Exch 2½pc 1990	83	–⅛	3.01	7.26
112	99	Treas 11¾pc 1991	107⅝	–⅛	10.92	9.53
94⅝	83	Funding 5¾pc '87-91‡‡	90⅝xd	–⅛	6.34	8.26
86⅝	82	Treas. 3pc 1991●	82¾	–⅛	3.63	7.48

Five to Fifteen Years

1986 High	1986 Low	Stock	Price £	+ or –	Yield Int.	Yield Red.
110⅞	96	Exch. 11pc 1991	105⅝	–⅛	10.41	9.57
118⅞	103⅝	Treas 12¾pc 1992‡‡	112⅝	–⅛	11.32	9.66
107⅝	92	Treas 10pc 1992	102¼	–⅛	9.63	9.56
109⅝	94	Treas 10½pc Cv 1992‡‡	103⅞	–⅛	10.11	9.58
117¼	101	Exch. 12¼pc '92	111½	–⅛	10.99	9.66
123¼	105⅞	Exch 13½pc 1992	116⅝xd	–⅛	11.58	9.79
108	94½	Treas 10pc 1993‡‡	101¾	–⅛	9.85	9.63
120⅞	103½	Treas 12½pc 1993‡‡	114	–⅛	10.96	9.65
92	78½	Funding 6pc 1993‡‡	89⅞xd	.....	6.68	7.91
128¼	109	Treas 13¾pc 1993‡‡	120⅛	–⅛	11.45	9.77

AMERICANS—Cont.

1986 High	1986 Low	Stock	Price £	+ or –	Div Gross	C'vr	Y'ld Gr's
37⅞	29⅞	Chemical New York	32½xd	+⅛	$2.60	—	5.5
35⅞	26⅝	Chesebrough-Pond's $1	31⅛	–⅛	$2.00	—	4.4
31⅛	19⅝	Chrysler $6¼	26⅛	+½	h66.6c	—	1.7
42⅞	33⅛	Citicorp $4	37⅞xd	+⅛	$2.26	—	4.2
12½	774p	CityFed Fin. Corp.	11⅝	+⅛	40c	—	2.4
28⅞	21⅛	Colgate-P. $1	26⅞	+⅛	$1.36	—	3.5
66⅛	42⅞	Colt Inds. $1	62⅛xd	+⅛	$2.50	—	2.7
22⅞	16⅝	Cons Freightways $0.625	21⅛	+⅛	82c	—	2.6
819p	399p	Contl Illinois Corp $1	399p	–58	—	—	—
89	16p	Cont Illinois Hldgs $1	36p	–1½	—	—	—
64p	35p	♦Corporate Data Scnce	44p	.....	—	—	—
13⅛	529p	Cullinet Sftwr $0.1	565p	+16	—	—	—
287p	34p	Damson Oil 40c	65	.....	—	—	—
23⅞	17⅝	Dana Corp. $1	20	+⅛	$1.28	—	4.4
33⅞	20⅛	Data General	24⅝	+½	—	—	—
24	12	♦Derma-Lock Medicl	12½	–1	—	—	—
79	55⅛	Dun & Bradstreet $1	77⅛	+1⅛	$2.56	—	2.3
52⅞	42⅛	Eaton Corpn. 50c	47½	+⅛	$1.60	—	2.3
25⅞	18⅝	FPL Group $0.01	22⅞xd	–⅛	$2.04	—	6.1
13⅛	625p	Fairmont Fin.	12⅛	–⅛	—	—	—
11½	524p	Fin. Corpn. Amer. 50c	565p	–9	—	—	—
23⅞	19⅛	First Chicago $5	19⅛xd	+⅛	$1.32	—	4.6
42½	25⅞	Ford Motor $2	38⅛	–⅛	$2.20	—	3.9
28⅞	20	GATX 62½c	22⅛	.....	$1.50	—	4.6
54⅞	47⅞	Gen. Elect. $1⅛	52⅞	+1⅝	$2.32	—	3.0
16⅝	612p	♦General Host Corp $1	12⅛	.....	22c	—	1.2
32⅞	24	Gillette $1	29⅛	+⅛	$2.72	—	6.4
15⅛	10	Gt Am First Svgs Bk $1	13⅛xd	+⅛	♦26.7c	—	1.3
31⅞	23⅞	Gt. Western Fin. $1	29⅞	.....	$1.20	—	2.7
25½	20⅞	Greyhound $1.50	20⅝xd	–⅛	$1.26	—	4.2
20⅛	11⅛	Hasbro Inc $0.50	18⅛	+⅛	9c	—	0.3
57⅞	42	Honeywell $1.50	47⅛xd	+⅛	$2.00	—	2.9
28	22⅞	Hospital Corp Am $1	26⅛	+⅛	50c	—	1.3
24⅞	19⅛	Houston Inds Inc	23⅝	–⅛	$2.80	—	8.1
112⅞	87⅞	IBM Corpn $1.25	92⅛	+2⅛	$4.40	—	3.2
19⅞	12⅝	IC Industries	18⅞xd	–⅛	72c	—	2.6
38⅛	25⅞	ITT Corpn. $1	35⅞	+½	$1.00	—	1.9
314p	141p	♦Imatron Inc	208p	.....	—	—	—
46⅞	34⅞	Ingersoll-Rand $2	39⅞	+⅛	$2.60	—	4.5
16⅞	12⅛	Inselco $1	14⅞	+⅛	$1.00	—	4.7
12⅛	806p	IU Intnl. $1.15	938p	–39	60c	—	4.1
40⅛	31⅝	Lockheed Crpn. $1	32⅛	.....	$1.00	—	2.1
24	18⅝	Lone Star Inds $1	20⅛xd	+⅛	$1.90	—	6.3
22⅞	15⅛	Louisiana Land $0.15	20⅛xd	+⅛	$1.00	—	3.3
23	17⅝	Lowe's 50c	18⅝	+⅛	40c	—	1.5

BUILDING, TIMBER, ROADS—Cont.

DRAPERY & STORES—Cont.

ELECTRICALS

CANADIANS

BANKS, HP & LEASING

Hire Purchase, Leasing, etc.

BEERS, WINES & SPIRITS

BUILDING, TIMBER, ROADS

CHEMICALS, PLASTICS

DRAPERY AND STORES

ENGINEERING

ENGINEERING—Continued

FOOD, GROCERIES, ETC

HOTELS AND CATERERS

INDUSTRIALS (Miscel.)

INDUSTRIALS—Continued

Over Fifteen Years

Undated

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INT. BANK AND O'SEAS GOVT STERLING ISSUES

CORPORATION LOANS

COMMONWEALTH & AFRICAN LOANS

LOANS

Building Societies

Public Board and Ind.

Financial

FOREIGN BONDS & RAILS

AMERICANS

INDUSTRIALS—Continued

1986 High	1986 Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
180	82	Midland Marts	179	.....	4.0	1.0	3.3	42.5
70½	55½	Mitchell Cotts	55	+1	4.25	1.5	10.9	(7.8)
124	81	Molins & Cope 10p	124	.....	12.7	2.9	3.1	15.2
317	210	Morgan Crucible	278	+7	8.5	1.7	4.3	17.4
23½	15½	Morris (W) F.A. 20p	20½	.....	—	—	—	—
141	65	Myson Grp 10p	132	–1	2.63	2.6	2.8	17.0
365	239	NMW Computers	290	.....	6.0	3.0	2.9	16.7
40	27	Nash Inds.	40	.....	0.5	—	1.8	—
27½	15½	Nell & Spencer 10p	28	.....	—	—	—	—
39	28	Newman Inds 10p	34	.....	0.8	1.2	3.4	(32.7)
134	65	Noble & Lund 10p	127	–2	0.7	4.3	0.8	41.8
65	46	Norton	44	.....	0.95	7.0	3.0	6.3
150	96	Norank Systems 5p	147	.....	1.5	—	1.5	18.7
286	187	Norcros	252	–6	9.3	2.2	5.2	12.1
180	49	Nu-Swift 5p	170	–3	3.5	2.1	2.9	22.9
£345	£226	OCE 9pc Cv 1987-92	£345	+10	Q9%	—	2.6	—
118	80	Oakwood Grp	88	.....	5.0	1.3	‡	12.2
250	209	Office & Elect	220	+3	8.5	2.9	5.4	9.0
183	70	Oldacre 20p	176	.....	5.0	♦	4.1	♦
36	24	Optometrics $0.01	26	.....	—	—	—	—
855	500	Oriflame £1	855	+15	24.5	2.1	4.0	16.6
10	5	Overstone 12½c	5	–1	43.23c	1.9	16.9	3.1
142	85	PCT Grp 10p	118	+8	4.2	—	5.7	—
£20½	£12½	PLM 'B' Sk 25	£17	+1	Q23.2%	0.3	3.4	—
193	114	PSM Intl	193	+2	5.5	2.1	4.0	14.7
255	167	Pacer Systems $0.01	185	.....	1.84c	3.4	1.4	20.6
78	56	Pacific Sales 10p	60	.....	3.0	2.1	7.0	7.9
445	246	Parker Knoll 'A'	395	.....	9.5	2.9	3.4	14.4
555	208	Parkfield Group 5p	495	+10	3.6	4.2	1.0	30.9
53	20	Pavion Intl	24	.....	—	—	—	6.4
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

INSURANCES

LEISURE

LEISURE—Continued

1986 High	1986 Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
385	265	LWT	385	+5	14.4	1.8	[illegible]	[illegible]
187	137	Lee International 10p	175	+11	3.8	2.9	[illegible]	[illegible]
44	32	Leisure Inv 10p	44	+1	—	—	[illegible]	[illegible]
115	58	Leisuretime Int 10p	95	.....	2.5	♦	[illegible]	[illegible]
117	100	Lewmar	110	.....	2.63	3.3	[illegible]	[illegible]
220	133	Media Tech Int 20p	145	–2	12.58	5.4	[illegible]	[illegible]
170	130	Medminster 10p	140	.....	5.35	2.7	[illegible]	[illegible]
220	130	Miss World 10p	200	.....	5.2	3.3	[illegible]	[illegible]
90	62	Nationwide Leisure	82½	+4	3.75	2.5	[illegible]	[illegible]
17	10	Mando Int 20c	10	–1	—	—	[illegible]	[illegible]
35½	23	Owners Abroad 5p	34½	.....	1.5	2.3	[illegible]	[illegible]
90	46	Photax (Lon.)	65	.....	—	—	[illegible]	[illegible]
34	28½	Piccadilly Radio NV 5p	30	.....	2.0	1.2	[illegible]	[illegible]
73	25	Pineapple 10p	63	.....	—	—	[illegible]	[illegible]
391	280	Pleasurama 5p	333	+5	7.5	3.6	[illegible]	[illegible]
178	136	Do. 7pcCvCnRedPf	154	–1	7%	—	[illegible]	[illegible]
157	100	Prestwich	108	+1	0.35	7.8	[illegible]	[illegible]
43	18	Radio City 'A' NV	35	.....	—	—	[illegible]	[illegible]
51	33	Radio Clyde NV	51	.....	3.25	0.9	[illegible]	[illegible]
395	322	Really Useful Grp 5p	370	.....	11.25	2.2	[illegible]	[illegible]
64	44	Riley Leisure 10p	47	.....	—	—	[illegible]	[illegible]
230	134	Saga Hols. 20p	195	.....	4.6	2.6	[illegible]	[illegible]
355	155	Samuelson Grp 20p	190	.....	2.4	6.5	[illegible]	[illegible]
125	73	Sangers Photo 10p	84	+9	2.2	1.5	[illegible]	[illegible]
178	138	Scacro 50p	145	+3	4.0	3.5	[illegible]	[illegible]
340	175	Scott. TV 10p	318	+1	10.5	3.0	[illegible]	[illegible]
294	114	SeaCo Inc $0.125	191	+8	—	—	[illegible]	[illegible]
27	7	SelecTV 10p	21	.....	—	—	[illegible]	[illegible]
37	20	Spectrum 5p	33	+6	2.0	4.8	[illegible]	[illegible]
126	119	Stanley Leisure	126	+4	3.25	2.8	[illegible]	[illegible]
46	31	TSW 5p	45	.....	1.7	2.4	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

MOTORS, AIRCRAFT TRADES

Motors and Cycles

Commercial Vehicles

Components

Garages and Distributors

NEWSPAPERS, PUBLISHERS

PAPER, PRINTING, ADVERTISING

PROPERTY

PROPERTY—Continued

SHIPPING

SHOES AND LEATHER

SOUTH AFRICANS

TEXTILES

TOBACCOS

TRUSTS, FINANCE, LAND

Investment Trusts

INVESTMENT TRUSTS—Cont.

Finance, Land, etc

FINANCE, LAND—Cont.

OIL AND GAS

OVERSEAS TRADERS

PLANTATIONS

Rubbers, Palm Oil

Teas

MINES

Central Rand

Eastern Rand

Far West Rand

MINES—Continued

O.F.S.

Diamond and Platinum

1986 High	1986 Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
790	513	RTZ	637	+13	22.0	2.8	4.9
£164	£115	Do. 9½pcLn '95-2000	£136	+3½	Q9½%	15.5	7.1

Central African

Finance

Australians

Tins

Miscellaneous

NOTES

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 29 per cent and allow for value of declared distribution and rights.

- ● "Tap Stock".
- * Highs and Lows marked thus have been adjusted to allow for rights issues for cash.
- † Interim since increased or resumed.
- ‡ Interim since reduced, passed or deferred.
- ‡‡ Tax-free to non-residents on application.
- ♦ Figures or report awaited.
- ♥ Not officially UK listed; dealings permitted under Rule 535(4)(a).
- ♣ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Dealt in under Rule 535(3).
- # Price at time of suspension.
- ¶ Indicated dividend after pending scrip and/or rights issue: cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress.
- ♣ Not comparable.
- ♦ Same interim: reduced final and/or reduced earnings indicated.
- § Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ☆ Cover does not allow for shares which may also rank for dividend at a future date. No P/E ratio usually provided.
- ǁ No par value.

B.Fr. Belgian Francs. Fr. French Francs. ‡‡ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1986-87. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1986. K Figures based on prospectus or official estimates for 1984. L Estimated annualised dividend, cover and p/e based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1985-86. N Dividend and yield based on prospectus or other official estimates for 1985. P Figures based on prospectus or other official estimates for 1983. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Stock	Price	+ or –	Stock	Price	+ or –
Albany Inv 20p	60	.....	Fin. 13% 97/02	£108½	.....
Craig & Rose £1	£33½	.....	Arnotts	285	.....
Finlay Pkg. 5p	44	.....	CPI Hldgs	45xd	.....
Holt (Jos) 25p	625	.....	Carrol Inds.	130	+5
Hall Stm. £1	73	.....	Dublin Gas	30	.....
			Hall (R. & H.)	79	+4
IRISH			Helton Hldgs.	29	.....
Fund 11¼% 1988	£101¼	.....	Irish Ropes	90	.....
Nat. 9¾% 84/89	£98	.....	Unidare	222xd	.....

"Recent Issues" and "Rights" Page 15

FINANCIAL TIMES
Saturday September 6 1986

Yorkshire TV shares rise 20%

BY ALICE RAWSTHORN

SHARES in Yorkshire Television, the independent television company which joined the stock market last week, rose to an immediate premium amid frenzied trading when dealings began yesterday.

Crowds gathered on the Stock Exchange floor to deal in the shares as soon as the market opened. Speculators swarmed around the market makers' pitches, decked in yellow and brown posters, to deal with jobbers wearing Yorkshire baseball caps.

The shares began trading at 150p, a premium of 25p on the issue price. They rose to 156p in the morning but ended the day back at 150p. Shareholders in Yorkshire have thus seen the value of their investment rise 20 per cent. The company, which came to the market with a proposed market capitalisation of £41.2m, is valued at £49.4m.

Mr Paul Fox, Yorkshire's managing director who watched dealings begin on the Stock Exchange floor, said: "I have never seen anything quite like it. Everyone said it would be a mistake to come to the market during the holiday period. Nothing could have been further from the truth. The issue could not have gone better."

Yorkshire was the last of the big independent television companies to go public. It released 8.2m shares, 25 per cent of its equity, at 125p a share last week. Its issue followed successful offers from two other television contractors. The Thames Television flotation in June was 27 times subscribed and that of TV-am in July was 11 times subscribed. Yorkshire attracted more than £525m in share applications to close 52 times subscribed.

The success of Yorkshire's issue helped to stimulate interest in other television company shares yesterday. Anglia Television emerged as the star of the day. It closed 16p higher at 276p. Thames Television rose by 2p to 242p and London Weekend Television rose 5p to 385p.

Yorkshire's flotation has set an encouraging lead for companies intending to come to the market within the next few weeks. The application list for shares in English Home Products opens on Monday and the prospectus for the Trustee Savings Bank's flotation will be published a week later.

Mercury and BT may be poised for price war

By David Thomas

A PRICE war in the UK's newly liberalised telecommunications market may be imminent. Mercury, the sole competitor to British Telecom's main network, yesterday set the scene for cuts in some of its prices soon, in response to price changes announced by BT on Wednesday.

BT made clear before its announcement, of changes to take effect on November 1, that some of them were in response to Mercury's tariffs, although both companies said it was not their intention to engage in a struggle over pricing.

Mercury, owned by Cable and Wireless, said yesterday: "We are calculating the effects of BT's new tariffs. If they require any revision of Mercury's tariffs, these changes will be announced in the next two weeks."

It is understood that Mercury is particularly concerned about BT's price cuts on long-distance trunk routes. It fears these may almost remove Mercury's price advantage over BT on one of its services most likely to be used by small and medium-sized businesses.

On this service, the 2200, customers are indirectly linked to Mercury's network through interconnection with BT, so it has a lower installation fee but higher tariffs than the 2100 service, where customers are directly connected to Mercury's network.

The 2200 service's higher charges are more vulnerable to BT's new tariffs, which include at least 12 per cent cuts in charges on all calls over 35 miles at peak and standard rates.

So far, nearly all of Mercury's customers are large users of phone services directly connected to its network.

From the start of this month, it started to offer the interconnections with BT's network. This is seen by Mercury as an important stage in its development to attract small and medium-sized customers.

It has already signed up customers in Birmingham and Bristol for the new service.

BT has also sent to Oftel, the regulatory body, proposals for an optional calling scheme that would save its largest customers money. Under this, large businesses could pay a set annual fee in return for discounts on their phone calls.

Approval of this scheme could erode Mercury's price advantage on its 2100 service.

Oftel is likely to announce next month its decision on BT's optional calling plan, and to give its views on BT's latest price changes.

The body is also likely to report next month on some longer-term considerations, including:

● BT's programme of rebalancing its tariffs, taken further by its most recent price change, through raising some local charges and rentals but cutting some long-distance rates.
● The effectiveness of the overall formula, known as the RPI-X formula, which governs BT's price increases by linking changes to movements in the retail price index.
● Charges for leased lines and private circuits.

California to repeal unitary taxation

By Clive Wolman

THE STATE of California yesterday repealed the application of unitary taxation to foreign multinational corporations, diffusing a decade-long dispute that has strained relations between the US and its trading partners and threatened the network of international tax treaties.

Mr George Deukmeijian, the state governor, signed a bill which, contrary to earlier expectations, was passed by the state legislature last month. The bill, which takes effect in January 1988, allows foreign-based multinationals to avoid being assessed on a unitary basis by the payment of an annual fee.

Unitary taxation, by which a state taxes multinationals on a share of their worldwide profits rather than purely on their in-state profits, was pioneered by California in the 1930s. Although vigorous lobbying by foreign governments over the last three years and the threat of investment boycotts by multinationals have persuaded other states in the US to abandon unitary tax, California's decision is by far the most important. The only remaining unitary taxation states are Montana, North Dakota and Alaska.

Th decision is seen as a triumph for the UK Government and UK-based multinationals which, together with the Japanese, have been the most active campaigners against the worldwide unitary formula. The UK's 1985 Finance Act contains a clause which would have removed some of the tax reliefs from companies with interests in both the UK and California if unitary tax had not been repealed by the end of December.

The British Government yesterday said it welcomed the repeal and acknowledged the role played by the US Federal Government in putting pressure on California. However, it has protested about the imposition of an annual fee and the reserve powers California's Franchise Tax Board has been granted to re-impose unitary taxation as a penalty. Inland Revenue officials, who are visiting Washington next week to negotiate amendments to the US-UK taxation treaty, will be asking for a provision to outlaw unitary taxation completely.

Most UK companies object to unitary taxation primarily because it adds to their tax burden. For example, Thorn-EMI's Californian subsidiary, Capitol Records, has paid tax on its parent's worldwide profits even though it was making a loss.

Background, Page 4

Tory middle tier reshuffle likely

BY PETER RIDDELL, POLITICAL EDITOR

CHANGES IN the ministerial teams at the Environment and Health and Social Security Departments are likely to be at the heart of the Government's reshuffle early next week.

After visiting the Queen at Balmoral at the weekend Mrs Thatcher will decide on changes involving some middle-ranking ministers which will bring fresh blood from the backbenches, particularly from the large 1983 intake of Tory MPs.

It is expected in Westminster that there will be few if any changes at Cabinet level, after the several shifts of the past year.

There has been speculation that Mr Paul Channon, Trade and Industry Secretary, might be moved to another Cabinet post and be replaced by either Mr Norman Fowler, Social Services Secretary, or Mr John Wakeham, the Chief Whip. There has also been speculation that Mr Cecil Parkinson, the former Cabinet minister, might return to a special role in Downing Street. However, senior Tories would be surprised if any of these changes were to take place.

The most significant move politically is likely to involve the DHSS, with the replacement of Mr Barney Hayhoe, Health Minister, and Mr Ray Whitney his deputy. Mrs Thatcher's advisers say the Government needs a sharper and more aggressive defence of its health record.

Changes are also likely within the Environment Department following the resignation of Lord Elton as the Minister of State because he wished to spend more time with his family.

Mr Nicholas Ridley, Environment Secretary, has been considering changes leading to a new post of Minister for Local Government, to be separate from the "green" portfolio of the environment and the countryside, held by Mr William Waldegrave.

Mrs Angela Rumbold, an under secretary, at the Environment Department, may be promoted to the new post.

Mr Timothy Raison is expected to be replaced as Minister of Overseas Development, possibly by Mr Richard Luce, Minister for the Arts and the Civil Service.

Among the candidates for promotion from under secretary to minister are Mr David Hunt, coal minister, Mr David Mellor, at the Home Office, and Mr John Major, at the DHSS.

Several backbenchers will also be staying close to their telephones next week.

Among those on the promotion list are Mr Richard Ryder and Mr Peter Lilley, parliamentary private secretaries to the Foreign Secretary and Chancellor respectively, as well as Mr Christopher Chope and Mrs Edwina Currie.

Owen reaffirms SDP tax plan, Page 4

DTI reassurance on City bill

BY IVOR OWEN

OFFICIALS OF the Department of Trade and Industry will attempt next week to reassure leading commercial and industrial companies that their businesses would not be put at a disadvantage by the Financial Services Bill.

Mr Paul Channon, Trade and Industry Secretary, wants to establish which sections of the bill need clarification and amendment so the changes can be introduced at the report stage in the Lords on October 14.

The CBI has led pressure from commerce and industry for further significant amendments. This has added to the political difficulties faced by Mr Channon, whose department has been criticised in the Lords for introducing such an important measure in so complex a form that many peers have found it impossible to understand.

Business leaders have criticised the Government for seeking to build a framework for self regulation in the financial services industry which fails to recognise the requirements of companies using the financial markets as investors or as a source of capital.

At a recent meeting with Mr Channon, CBI chiefs warned that without further radical amendments, the bill would add to British industry's costs and further undermine its competitiveness.

Another large batch of government amendments to the bill are expected to be tabled by the end of the month. Many will implement undertakings, given during the committee stage in the Lords. However, the large number of changes initiated by ministers has already proved a source of embarrassment to Viscount Whitelaw, the Leader of the Lords, in managing the legislative programme.

When the bill started its passage through the Lords it comprised 177 clauses and 15 schedules. When reprinted after the committee stage, it already had 205 clauses and 17 schedules.

Lord Williams of Elvel, the Labour peer, who has been in charge of the opposition front bench during the proceedings on the bill, warned yesterday that ministers still faced a major task in ensuring that it reached the statute book.

Security tight as Soweto buries nine

BY ANTHONY ROBINSON IN JOHANNESBURG

THE LAST nine victims of the Soweto eviction riots were buried yesterday under tight surveillance by the security forces as black people returned to work.

The police refusal to allow a mass funeral and the haste with which 15 people were buried on Thursday after teargas dispersed mourners, has left widespread resentment, residents and community leaders say.

Only about 200 mourners were allowed to Avalon cemetery where graveside services were conducted by the bishop suffragan of the East Rand.

Press reports that up to eight people had been killed in clashes on Thursday were denied by the official bureau for information which insisted no deaths had been reported by the security forces.

In the Eastern Cape a father of eight children detained under the emergency regulations was reported to have been found hanging from a rafter in his house in the township of Alexandria, near Port Elizabeth.

Members of the family said he had been depressed after his children's detention. Permission for the detained children, six sons and two daughters, to attend his funeral had been refused by the authorities.

Although Soweto was said to be calm last night the Community Research Group indicated that the rent boycott which lay behind the riots last week was spreading.

About 48 townships were refusing to pay rent, the group said. It questioned the validity of official statements that the boycotts were the product of intimidation.

"Despite allegations from the Soweto council of intimidation as the primary cause of the success of the rent boycott, events in White City, Jabavu and other parts of Soweto last week raise substantial doubts as to the credibility of the intimidation thesis," the report said.

Move to exclude SA from Gatt round, Page 2; Churches' front-line role, Page 3

THE LEX COLUMN

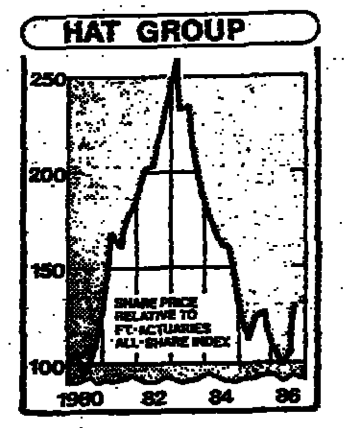
Allied wields a Canadian club

After so many false dawns, Allied-Lyons is set to gain control of Hiram Walker Spirits; but is is a somewhat different animal from the undergeared Canadian drinks company that first caught Allied's fancy. In its short period of owning Hiram Walker, the Reichman family has so jacked up the drinks division with loans and bonds that Allied will be consolidating the equivalent of no less than £866m of debt on its balance-sheet for half of the business. And the drinks division is still saddled with the embarrassment of an oil and gas business, though Allied is protected by a put option.

The large element of brand goodwill could be whittled down by a revision of some antiquated asset valuations at Hiram Walker Spirits. Even so, Allied's equity will be geared up to as much as 80 per cent. For a company that disapproves of leveraged bids from Australians, this is good going.

Of course, Allied was vulnerable to Elders partly because its assets were undergeared and the Canadian cash flow will, rather in the manner of an Elders acquisition, start reducing the gearing quite rapidly. The question is whether this unexpected conversion to leverage will trouble Elders and its bankers when they do their Allied sums; but the fact that the Reichmanns have a call over Allied's stake in Hiram Walker Spirits in the event of a takeover might support Mr Elliott's argument that he can get rid of the thing easily. The speculation that Courage might have found a transatlantic buyer did wonders for Allied's share price yesterday, but it is not obvious that Allied and Courage are Elders' only options. There is a third: doing nothing.

Index rose 4.1 to 1338.4



HAT

Having warned the market of a difficult year, there was not much the HAT group could ever produce by way of profits forecast in its defence against BET. As it is, once the usual pension fund holiday has been taken out, HAT is promising pre-tax profits only £100,000 ahead and a dividend increase, decently covered but short of BET's expected income uplift. HAT has cleared the burden of its disastrous excursion into Houston property by the sale of one division and the proposed sale of another, but it is obviously not willing to mortgage its business further. The arguments about BET's gearing do not amount to much — interest cover is adequate — and HAT's shareholders have to decide whether to accept a decent offer or wait over a year for the benefits of the redirection of the US painting operations and the considerable investment in cleaning and plant hire. Those with memories of HAT before Houston would hold the wait to be worth it.

Markets

The Japanese stock market is on a multiple of 42.4, although earnings are under pressure. The UK market p/e is a mere 13.4, and earnings are rising. Therefore, the UK market should quadruple.

Brokers are not yet advancing quite such daft reasons why the bull market should continue, but some of them are getting rather fanciful. One argues that as the p/e on the industrial index is now 15.9, compared to 17 at the market peak in April, the market should rise 7 per cent ot reach a multiple of 17 once more. That is ludicrous. After all the 17 p/e was predicting the earnings growth that has since brought the ratio down, and it cannot be capitalised twice. Another suggestion is that as the outlook for gilt-edged stocks is dull, money will be directed towards equities and push the market higher. Nonense reply the older hands. Equities cannot keep rising without gilt-edged advancing too and the yield relationship between them is now stretched to its limit, unless susbtantial dividend growth is anticipated. Clearly fundamentals are being left far out of consideraiton.

What has changed since the April peak, now nearly regained on the FT-SE 100 index, is that oil prices are rising not falling, economic growth has not lived up to expectations and long-dated gilt-edged yields are higher. The factors behind the latest run are the opposite to those that worked in the spring.

Securitisation

For all the talk about securitisation of consumer debt—and any number of conferences held on the subject—there has been precious little of it done in the UK apart from the odd bunch of mortgages. The theory is relatively simple: a pool of loans which generate an income stream and a principal repayment can be bundled together to produce a bond. The payments on the loans provide the interest and repayment to the bond holders and because there is a pool backing the bond the risk of sizeable default is small. However, the practice has proved rather more complicated. Although these deals are rife in the US covering credit card debt and student loans among others, UK bankers are still wrangling with the problem of adapting the notion to local conditions and laws.

Yet another example will hit the Eurobond market next week when the first bond backed by car loans appears. But here again it is a US project as the loans are some that General Motors Acceptance Corporation (GMAC) has made to US car buyers. In this case the interest the car buyers pay at 9.75 per cent will be collected by GMAC, and some of it will be passed on to the bond holders, giving a likely yield of around 7 per cent. With a limited guarantee by GMAC, the bonds will probably be rated the same as GMAC's debt, currently AA but under review. That yield is higher than other similar bonds would give investors. If these types of bond meet acceptance in the market, car loans might eventually become cheaper — even aside from General Motors new cut rate deals.

It only makes sense to securitise such debts if some value is added in the process. In GMAC's case, selling on part of its portfolio frees up its balance sheet to make more loans. The same idea has appealed to the UK clearing banks on their mortgage lending and might one day reach Access and Barclaycard.

CHIEF PRICE CHANGES YESTERDAY

(Prices in pence unless otherwise indicated)

RISES		
Allied-Lyons	353	+ 13
Anglia TV A	276	+ 16
Anglo Amer Gold	£52⅛	+ 5
Carr Boyd	58	+ 13
Cons Murchison	205	+ 20
Cookson	521	+ 11
FR Group	353	+ 23
Framlington Group	768	+ 28
Garnar Booth	165	+ 11
Hanson Trust	201	+ 8
Hazlewood Foods	156	+ 8
Helical Bar	268	+ 8
Kinross	952	+ 102
Kleinwort Benson	815	+ 40
Lex Service	339	+ 19
North Kalgurli	56¼	+ 6¼
Precious Metals Tst	145	+ 10
Randfontein Ests	£59⅜	+ 5⅜
Rustenburg Plat	825	+ 40
Sainsbury (J.)	424	+ 6
Vaal Reefs	£52¼	+ 5¼
Winkelhaak	£14¼	+ 1¼
FALLS		
Treas 12¼pc '03-05	£123⅜	− ⅞
Treas 2½pc IL '20	£97⅛	− ¼
Brit Aerospace	486	− 15
Cable & Wireless	322	− 13
MEPC	337	− 13
MacLellan (P. & W.)	50	− 7

WORLDWIDE WEATHER

UK today: Cloudy with showers in N; mainly dry in S with hazy sunshine. Outlook: Cloudy with rain.

		Y'day midday °C	°F			Y'day midday °C	°F			Y'day midday °C	°F			Y'day midday °C	°F
Ajaccio	S	25	77	Corfu	S	27	81	Luxmbg.	S	15	59	Peking	F	26	[illegible]
Algiers	S	30	86	Dallas†	C	23	73	Madeira	S	26	79	Perth	F	18	64
Amsdm.	F	17	63	Dublin	C	13	55	Madrid	S	29	84	Prague	F	16	61
Athens	F	30	86	Dbrvnk.	S	24	75	Majorca	S	29	84	Reykjvk.	R	7	45
Bahrain	S	40	104	Ednbgh.	F	13	55	Malaga	S	26	79	Rhodes	S	28	82
Barclna.	S	23	73	Faro	S	27	81	Malta	S	27	81	Rio J'o		—	—
Beirut		—	—	Florence	S	13	55	M'chstr.	C	13	85	Rome	S	26	79
Belfast	C	14	57	Frankft.	S	16	61	Melbne.	R	11	52	Salzbrg.	S	17	63
Belgrd.	F	19	66	Geneva	S	18	64	Mx C.		—	—	S F'cisc†	R	13	55
Berlin	C	15	59	Gibraltar	S	22	72	Miami†	F	25	77	Singapr.	C	28	82
Biarritz	S	25	77	Glasgow	C	14	57	Milan	F	21	70	S'tiago		—	—
Bmghm.	C	15	59	G'rnsey	S	16	61	Montrl.†	R	17	63	Stckhm.	C	14	57
Blackpl.	C	15	59	Helsinki	C	12	54	Moscow	C	15	59	Strasbg.	S	19	66
Bombay	F	29	84	H. Kong	C	29	84	Munich	S	17	63	Sydney	F	28	82
Bordx.	S	25	77	Innsbrk.	S	18	64	Nairobi	C	23	73	Tangier	C	22	72
Boulgn.	F	17	63	Invrnss.	F	15	59	Naples	S	25	77	Tel Aviv	F	29	84
Bristol	F	15	59	I.o.Man	C	14	57	Nassau		—	—	Tenerife	S	30	86
Brussels	S	17	63	Istanbul	F	23	73	Nwcstl.	C	14	57	Tokyo	S	30	86
Budpst.	F	19	66	Jersey	S	20	68	N Delhi	S	34	93	T'ronto†	F	15	59
Cairo	F	32	90	Jo'burg	S	24	75	N York†	C	20	63	Tunis	F	29	84
Cardiff	F	15	59	L. Plms.	S	27	81	Nice	S	24	75	Valencia	F	27	81
Cape T.	C	17	63	Lisbon	S	28	82	Nicosia	S	29	84	Venice	S	21	70
Chicago†	C	12	54	Locarno	S	21	70	Oporto	F	19	66	Vienna	S	17	63
Cologne	S	18	64	London	S	18	64	Oslo	F	18	64	Warsaw	C	14	57
Cpnhgn.	F	15	59	L. Ang.†	S	17	63	Paris	S	19	66	Zurich	S	18	64

C—Cloudy. Dr—Drizzle. F—Fair. Fg—Fog. H—Hail. R—Rain. S—Sunny. Sl—Sleet. Sn—Snow. T—Thunder.
† Noon GMT temperatures.

Hijack Continued from Page 1

nor country nor any organisation in Libya had anything to do with it."

Pakistani intelligence officials, who declined to be identified, said the four hijackers arrived from Bahrain during the last week of August.

Robert Mauthner writes: The hijacking, and what future joint measures should be taken to combat international terrorism, are certain to be discussed by the European Community's Foreign Ministers at their informal meeting at Brocket Hall, Herts, this weekend.

Co-operation between the US and its allies to combat terrorism was also the main subject discussed by General Vernon Walters, President Reagan's special envoy and troubleshooter, with Sir Geoffrey Howe, the Foreign Secretary, in London yesterday.

Gen Walters, who visited seven other European capitals and was due to fly on to Ottawa before reporting back to Mr Reagan, said he had not come to Europe to make any demands but to consult the US's allies on anti-terrorist policies, in particular in the Mediterranean.

A British official said later in reply to questions that if Britain obtained "conclusive evidece" that Libya was involved in terrorist acts, it would be prepared to adopt "additional measures." The official would not specify what they would be.

Gold Continued from Page 1

proven throughout the ages. If you have gold in your pocket, you know what you have. It is a sort of money of last resort, and you do not depend on any one else's goodwill," he said.

Mr Mauerhofer still sees gold as an insurance premium against the unforeseeable risks—not as the sort of hot investment claimed by the more fanatical gold fanciers.

"Do not exaggerate it. To have gold going back to $1,000 an ounce you must have roaring inflation, negative yields on bonds and a bad economy, and I do not think we are close to that."

Trading in the last few days has been erratic at times, with prices fluctuating sharply in London and on the Comex market in New York. The spread between buying and selling prices widened at one point yesterday to $5, compared with a normal margin of 50 cents.

The rise in gold prices is expected to help the start of the US eagle gold coin, to be launched on Monday.

Continued from Page 1

Allied

pia and York, the Canadian real estate and resources company controlled by the Reichmann family. Gulf Canada immediately began legal proceedings to block the Allied acquisition.

As part of the new agreement both sides have agreed to withdraw all litigation and pay their own costs. Hiram Walker Spirits will now be run as a joint venture but Allied will have management control. Allied will appoint the chairman and five directors and Gulf Canada will nominate four directors.

Allied said: "Mr Michael Jackaman, chairman and chief executive of Allied Vintners will, together with Mr Cliff Hatch, president of Hiram Walker Spirits, have a wide responsibility for developing as rapidly as possible the most effective means of exploiting the benefits of the combination of Allied Vintners and Hiram Walker Spirit."

Allied is likely to move from sixth in the international wine and spirits league to perhaps second behind Seagram of Canada as a result of the Hiram deal, Sir Derrick Holden-Brown, Allied chairman, said: "This represents a major advance in our international operations and is fundamental to the strategy for our spirits and wines business."

With Hiram Walker Spirits, Allied has acquired an oil and gas business valued at about £130m which it can require Gulf Canada to buy back at not less than acquisition cost within the next two years.

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WEEKEND FT

Saturday September 6 1986

• MARKETS • FINANCE & THE FAMILY • PROPERTY • TRAVEL • MOTORING • DIVERSIONS • HOW TO SPEND IT • BOOKS • ARTS • TV •

Robert Graham reports on Paraguay and its leader, Alfredo Stroessner, last of the old-style military dictators

State of siege

FOR railway buffs, there is something special about Paraguay. It possesses the last wood-fuelled trains in Latin America: trains almost a century old that steam out of the capital Asuncion, hauling antique wooden carriages south to link with the Argentine railway *system* and a 40-hour journey to Buenos Aires. Traffic is few and far between and even the ticket clerks have the vacant air of museum staff.

The trains are not the only thing in Paraguay frozen in the time frame of another era. At a more sombre level, this land-locked country has the last of the old-style military dictatorships on the continent. General Alfredo Stroessner has been running Paraguay as his personal fiefdom for 32 years, the longest surviving ruler in Latin America. Across the map of Paraguay, his name is writ large like a visiting card. Ciudad Presidente Stroessner is the fourth biggest town while the country's international airport is named after him, as are countless streets, schools and bridges.

For those who accept the system, Paraguay is still a land of opportunity, of new frontiers and new identity. With money, you can easily buy 100,000 acres of virgin land, a Rolls-Royce and a Paraguyan passport, almost on the same day. In this laissez frontier land of commissions and no questions asked, all the requisites of residence and citizenship need cost no more than $60,000. But for those who oppose the *system, there is the apparatus of the* state of siege in force since Stroessner seized power in 1954. Law 209, known as the Law for the Defence of Democracy, provides all-embracing authority to snuff out opposition and ensure that democracy cannot prosper.

"The state of siege is renewed every 90 days but it has become so much part of the system that sometimes they forget to renew on the right day," says Alcibiades Gonzalez Delvalle, the country's most popular journalist, who has been *imprisoned* three times *without* trial.

The ubiquitous posters and portraits of the generalissimo beam the confidence of immortality. He has rewritten the laws of military service so that the commander-in-chief of the armed forces is exempt from the normal retirement age; his ruling Colorado Party is already proposing that he run for the next five-year presidential term in 1988.

For a man of 73, he looks remarkably vigorous. He has not lost his reputation as a ladies man and in Asuncion it is something of a game to check the newspaper social pages to see which wedding or christening he attends. Yet he is associated more and more with a gerontocracy. His finance minister is *pushing 80 and has been around for 30* years; the central bank governor has been in office since 1956; and he has changed foreign ministers only three times.

In a Latin America turning its back on military rule, his only soulmate is General Pinochet in Chile (who, incidentally, has acquired property in Paraguay). Stroessner's unabashed anti-communism and emotional identification with Nazism — his father was from Bavaria — are out of step with *the times.*

"The outside has cared little about Paraguay — unless it was someone looking for Nazis like Mengele," says Dr Waldino Lovera, a leading member of the Opposition. "Stroessner has been able to do what he wants." Lovera came home in 1983 after 24 years in exile. The price of his return is a form of political castration; he can offer criticism which no one will print and his movements are watched. Outside his office, four plainclothes policemen lounge obviously beside motorcyles.

Paraguay's isolated geography and limited economic interest has been to Stroessner's advantage. Paraguay fits into South America like an embyro in a womb formed by Argentina, Brazil and Bolivia. The Spaniards founded Asuncion in 1537 (on the Feast of the *Assumption*), *attracted by its balmy* climate and the fluvial transport of the River Paraguay.

For a while the Spaniards used it as a base to conquer the southern half of South America, but its flat savannah and forests yielded no minerals and it soon was ignored. On independence in 1811, it was the least developed of the former Spanish colonies, and its subsequent history has been determined largely by the rivalries of Argentia and Brazil to exercise control of this hinter*land.*

Until the 1960s, Paraguay remained a prisoner of its geography, divided by the wide waters of the Paraguay River into two distinct entities. To the west was the vast expanse of the semi-arid Chaco, which covers 60 per cent of the national territory but has less than 5 per cent of the 3.7m population — on this side, a mixture of indigenous Indians, a prosperous community of Mennonite farmers of German origin, and large ranchers. To the east lies the highly fertile semi-tropical and tropical part of the country where the Indian and Spanish population has been swelled first by German immigrants, then some Japanese, and latterly a huge influx of 250,000 Brazilians, mostly farmers. Stroessner inherited an agrarian economy and trade based *around extensive contraband.*

"You must remember that Stroessner has totally transformed this country, stimulating economic development and removing our dependence upon the rivers," says Dr Edgar Ynsfran a former Interior Minister. "He created a road network with bridges that has linked up the Chaco and connected us to Brazil, and everyone recognises this has brought us into the modern world."

The extent to which this was the foresight of a great leader, or the self-*interest of* Brazil, is *disputed.* The rise to power of Stroessner coincided with the advent of the military in Brazil. In return for providing capital to open up the country, the Brazilians acquired what can be described as a convenient backyard for contraband and access to vital supplies of hydro-electricity from the Parana River at Itaipu.

Itaipu was inaugurated in 1984 but its full generating capacity will not be installed until 1990. By then, it will be capable of producing 12,600 Mw of power — six times greater than the Aswan high dam in Egypt and the largest project of its kind in the world.

In the same year as the Itaipu treaty, Paraguay signed an agreement with Argentina for another hydro-electric project further down the Parana River. The $12.6bn Yacyreta dam project has moved more *slowly, with only 12* per cent of the construction work complete. Argentina has financial responsibility and has been affected by its own financial problems; however, there has been a protracted dispute, resolved only recently, over the exchange rate for payments to Paraguay. "The Brazilians turned their backs on the huge profits being made in Paraguay by the difference between the official and free exchange rates and we were just not willing to go along with this," says one Argentinian involved with the project. But Itaipu, in particular, provided a cushion of dollars on which the Stroessner regime could float and with which to co-opt its adversaries. The sleepy one-storey skyline of Asuncion has been transformed by a rash of speculative skyscrapers and Ciudad Presidente Stroessner, close to Itaipu, has blossomed from the jungle into a city of 50,000 people.

Meanwhile, the opening-up of communications with Brazil, and the close links *between the two military* establishments, allowed a boom in what is euphemistically termed "non-declared frontier trade." The Sao Paulo business community discovered an easy conduit for otherwise highly-taxed luxury goods, like Jaguar cars. Paraguyans exported huge quantities of undeclared cattle on the hoof, as many as 400,000 a year; and with stricter forestry controls in Brazil, Paraguyan wood has been flooding across the frontier.

Moving in the opposite direction, Brazilians have bought large tracts of land, occupied without title by indigenous Indians, along the border and inland in the east. There has been a flourishing trade in stolen Brazilian cars smuggled across the border. In 1982, *it was reckoned that there were 32,000* stolen Brazilian cars easily legalised for a $300 registration fee. Even stolen 30-ton trucks have been known to come across. More generally, there has been an accelerated "Brazilianisation" of Paraguay so that Brazil now accounts for 27 per cent of all investment and 30 per cent of the country's $1.7bn debt.

"This is a military government sustained by corruption that is fed by Brazil," claims Aldo Zuccolillo, proprietor of ABC Color, the leading independent daily closed down two years ago. Zuccolillo maintains that the military controls the contraband business. A 1980 law governing the status of military personnel allows them to conduct their own personal affairs (Article 75) and they are answerable for their fortunes only to Stroessner as commander-in-chief of the armed forces. A similar form of co-option applies to civilians, converting the state into a sort of Paraguay Inc. for the privileged. The luxurious modern suburbs of Asuncion, with architectural fantasies derived from Beverly Hills, Versailles and the Costa del Sol are witness to the spoils.

It is perhaps a tribute to Stroessner's political skill that the regime has been able to get away with such self-enrichment for so long. Since seizing power, he has been careful to associate himself with the legitimacy of the Colorado Party, founded in 1887. And while the regime has been guilty of gross abuses of human rights, more often Stroessner has used a gloved fist. The regime's motto is "peace, justice, democracy," and Stroessner plays to the fears of an isolated conservative society with a long history of political instability. Each night on television carefully-placed prime-time advertisements show footage of riot and mayhem worldwide followed by the lush flowers of Paraguay and a confidently fluttering national flag backed by a suggestive voice: "Tranquillity lies with support for the status quo."

The peculiarly Paraguayan process of recent politicisation is well illustrated by the case of Zuccolillo, who started out as a member of the establishment. On his own admission, he began ABC Color as a business venture. He came from a wealthy family of Italo-Argentine origin, his brother-in-law also being the closest civilian associate of Stroessner. ABC Color built up a good journalistic team which published stories of corruption and land expropriation of indigenous Indians that were increasingly an embarrassment to the regime, but Zuccolillo's position permitted a degree of protection. From 1983 onwards ABC almost accidentally became an alternative voice and a focus for the four main Opposition parties, grouped together as the Acuerdo Nacional, to express their views. After a series of threats, the paper was closed forcibly in March 1984 and Zuccolillo was jailed briefly. "This is a soft and benign military dictatorship only if you don't demand your rights," says Zuccolillo angrily in the premises of his newspaper, bereft of all but a skeleton staff.

Stroessner's image has not been helped by the behaviour of other close members of his own family. His younger son, Alfredo, has been abroad being treated for drug addiction. Alfredo is now married, Dynasty-style, to the daughter of General Andres Rodriguez, commander of the First Army Corps, and the key figure in the military below Stroessner. The oldest son, Gustavo is a colonel and has antagonised the local business community by the aggressive way he has sought to cut himself in on a share of its action.

More serious for the regime is a *foreign exchange scandal involving the* central bank—an institution subservient to the President. An investigation has revealed the loss of $34m resulting from the bank's multiple exchange rate system. According to Delfin Ugarte Centurion, the Commerce and Industry Minister, losses could be as high as $100m, and he admits the bank has lost some prestige.

The corruption that surrounds the regime comes at a time when the economic cake is contracting. Since Itaipu was completed in 1982, this force-fed flow of dollars has dried up and there have been a spate of bankruptcies. Most of the Asuncion skyscrapers, erected during the boom, are half-empty. Several are unfinished, and the banks that lent the speculators money have, almost without exception, become owners of the buildings. A drought last year has affected agriculture, and the Treasury is constantly being weakened by exporters who have no incentive to register real earnings when the official exchange rate is so unrealistic. Stroessner will not hear of devaluation and regards his over-valued guarantees as a source of proprietary pride. However, economic reality is creeping up.

US concern about the economy is part of a tougher attitude towards the *anomalies of the Stroessner regime.* A visit recently by a senior State Department official produced a measured call for liberalisation, including the reopening of ABC Color. Brazil, with the real power to impose change, has just appointed its first civilian ambassador but diplomats in Asuncion doubt Brazil will wish to alter a situation that is so much to its advantage. This, nevertheless, leaves Stroessner with a dwindling band of friends—Chile, Israel, South Africa (with which there are close military ties), South Korea, Taiwan and the World Anti-Communist League.

The Opposition has sensed that events are working against the regime but the four main parties are weak and divided, even though they subscribe to a common programme for the return to democracy. Deprived of a public platform, they are uncertain how to proceed and have been relying upon the Roman Catholic church to act as honest broker.

Since the Opposition is merely seek*ing reform, not revolution,* Stroessner has hardened his position, as though he can sit out this spot of bother. But the real challenge comes from within his Colorado Party where the battle lines are being drawn between those who believe they can retain their privileges even after the Generalissimo goes, and others arguing that it is better to give a little now rather than lose all later. "It is time for a change," says Ynsfran who, as Interior Minister for the first 10 years under Stroessner, was one of the architects of the authoritarian system. "If he were to step down by 1988, he would be able to live in honour and dignity."

The Long View

Trying to unscrew the inscrutable

Japan's economy is in trouble but the Tokyo stock market keeps testing new highs. The prudent investor should read this as a warning, whatever fashion says, argues Anthony Harris

THE Japanese economy, once the strongest in the developed world, *looks at the moment like* the weakest. National income has been falling—although only slowly, as yet—for two successive quarters. If this were the US, columns would be written about whether the situation should be defined as a recession. Profits are currently weak, as expected, and profit forecasts are being revised downwards. Investment and exports are sharply down and *even consumer spending,* the motor of most Western economies, is rising only slowly.

Even the much-discussed Japanese trade surplus is declining if you measure it in yen, as the Japanese naturally do. If you measure in terms of physical volume, you get a picture of falling, unprofitable exports and booming, cheap imports, which is why activity is falling.

Much of this dreary picture will seem very familiar to any British reader who remembers the over-valuation crisis of 1980-81. Even the official excuses for doing nothing have a familiar ring: fiscal stimulus is out because government borrowing is too high, and interest rate cuts do not seem domestically appropriate when the economy is awash with money.

These parallels can be seductive, but for investors they could be dangerously misleading. In Britain, the tribulations of 1980-81 were the prelude to the most sustained boom in stock market values for 20 years. It is, therefore, tempting to conclude that the market, which continues to support Japanese equities to ever-dizzier heights, is right, and that the troubles will pass.

This is bosh. The only similarities between Japan now and Britain five or six years ago is that both countries have seen a disruptive rise in their exchange rate, under governments which seem to have very little idea what to do about it. But the causes are as radically different as the economies of the two countries.

Britain's recent crisis of over-valuation reflected a short-lived boom in oil prices and production and was, therefore self-correcting. Japan's problems are much more deep-seated, as the Government in Tokyo recognises. If there is a British parallel, it is with our situation in 1880 rather than 1980.

Britain, which had been the manufacturing hub of the world in the mid-19th century was, by the closing years, becoming its financial capital and main import market. The British were *providing money and equipment* to set up railways and factories from China to Peru, and were increasingly tending to live on the dividends; by the turn of the century net imports accounted for nearly a tenth of domestic consumption, paid for by investment income. Britain had falling prices and a very slack economy for more than a generation before the First World War.

In Japan, the same cycle *seems to be happening* bewilderingly quickly. Japan has been a dynamic economy for 30 years, but its huge trade surplus is a fairly recent development; yet, already the accumulated *capital is formidable, investment* income is rising rapidly, and the Japanese are building their factories and workshops in other countries.

This replay of economic history has been speeded-up partly because we live in an age of very rapid change, but partly because of the Japanese character. The Japanese like to take very long views. As a people, they seem obsessed with saving for their old age.

The Government is obsessed with the rising proportion of old people expected in the next century and tries to run a fiscal policy as frugal as a Japanese worker in a small company. The surplus reflects these two flows of savings, and it is financing overseas investment that threatens to turn the Japanese into a nation of *rentiers* some time before the retirement wave sets in.

However, taking a long view implies much more than just brooding about old age. The accumulation of capital in Japan implies a structural transformation of the home economy in due course, and this has already been thought through; the Mayakawa Report lays down a strategy for withdrawing from exports as a main *source of growth, and turning* instead to the reconstruction of domestic Japan.

It took Britain 20-odd years to muddle through to this solution in the 1930s: but then it spent the capital on a second war, and had to start all over again. Japan does seem to manage its affairs better, and can look ahead with some confidence to the long-term future. This is the kind of hope which inspires *Japanese investment institutions* when they are questioned about their booming market and their sick economy.

How, though, do they get there from here? This column exists to propagate the long view, but it can be overdone; and there does seem a real danger that Japanese long thinkers have their eyes so fixed on the far horizon that they cannot see what is immediately in front of their feet. Little Yoshio Headin-air, you might say.

The market does seem likely at some stage to reflect not only long-term hopes but the short-term realities of falling activity, employment, profits and Government revenues. However, it is hard to put a time to this awakening because this is a highly technical market, in the sense that it is driven by abaundant money (that surplus again). Investors have burned their fingers in the dollar market, and have decided to look inward. This very Oriental psychology of Japanese investors looks for a time self-justifying, as both the market and the yen rise.

That is why investing in Japan has been so rewarding, and also why it is so risky now; for when the market does turn, and Japanese investors look overseas again, the yen will fall with it, as likely as not.

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Investors should keep a wary eye on gold

ANOTHER week of steady gains has pushed the All-Share Index nearly a tenth above its low point of a month ago, to a level where it is challenging the all-time high point recorded early in April. Analysts who a month ago were shaking their heads and looking glum are now reeling out a string of explanations for the rally.

One is the shift worldwide to lower interest rates; another is the more stable performance of the oil price. The impact has not been confined to the UK. Wall Street has been hitting new highs this week, and most other equity markets around the world have been doing well.

At home, profits and dividends continue to rise strongly, thanks in good measure to the weakness of sterling, and further sizeable gains are clearly in view for 1987. The macro-economic picture still looks uncertain—on Monday, the CBI slashed its forecast for economic growth this year and warned that manufacturing output would be lower than in 1985.

But the Government remains confident. Fresh back from his summer holidays, Nigel Lawson still believes that the slowdown in recent months has been nothing more than a brief pause. "The outlook for next year and beyond remains good," he told an audience of Scottish businessmen on Thursday.

The bulls are also very excited about the next stages in the privatisation programme. Even though the issue will not be priced until later next week, everyone is now convinced that the TSB flotation is going to be a great hit. Bank shares in general have already been boosted by the thought that the big investing institutions will not be able to get their fill of TSB shares, and will buy into other banks in order to maintain their portfolio weightings in the sector.

Looking beyond the TSB issue, British Gas is being seen as an even bigger opportunity — in every sense. In a jumbo circular issued this week, broker Hoare Govett was lyrical about the prospects. With a good yield and the promise of a secure flow of dividends, the broker argued that the shares would prove an unusually attractive proposition to the small investor. The Government could succeed in attracting as many as 4m private shareholdings through this one issue.

The usually unspoken thought is that whatever can be done to promote a favourable climate for this enormous issue will be done. This includes massaging interest rates — and investors' egos.

Not everyone is jumping for joy, though. Many brokers' circulars are stiill tinged with a distinct trace of anxiety. Profit margins in the UK cannot go on rising for ever, and the international outlook remains dodgy. Indeed, the downward shift in US interest rates may well be seen as a sign of weakness — a response to poor economic performance — rather than a sign of strength.

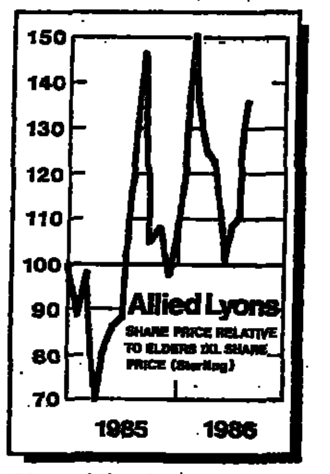
Of course, it could be that this continuing mood of caution is another reason for expecting a further rise in share prices. The time to get worried about a bear market is when everyone is bullish.

However, a rather more substantial shadow is now being cast over the party. The price of gold, which had done nothing much all summer, has moved sharply higher in the past few weeks. This could be signalling political concerns about South Africa, worries about the future course of inflation worldwide, or a mixture of the two. Whatever the

London

explanation, a strong bullion price does not usually go together with a bull market in bonds and equities.

For the time being, though, there have been plenty of good results to keep everyone happy. P & O's half-year figures were a good bit better than expected, with a strong showing on the housebuilding and construction side far more than offsetting a big setback in containers and bulk shipping. The dividend has also gone up by a quarter, although this is not meant to be an indication of the full year's increase.



Meanwhile, the past few days have left shareholders in ALLIED LYONS with a great deal to chew over. The Monopolies Commission has given ELDERS IXL of Australia the all-clear to bid for Allied but some very big questions have still to be answered.

Will John Elliott, Elders' rugged chairman, come back with an acceptable offer? The speculation lately has been that he will turn instead to HANSON TRUST, which is believed to be a willing seller of its Courage brewing business—much less of a mouthful for Elders than Allied. Will Allied itself finally pull off its own big acqusition, the Hiram Walker drinks business in Canada—and, if it does, will it turn out to have paid too much?

Elliot certainly convinced the Monopolies Commission that he intended to have another crack at Allied. And although his comments in London this week were suitably discreet, he certainly did not have the appearance of a man who was about to give up a two-year quest.

For their part, Allied's executives have also been looking very pleased with themselves. While they would obviously have preferred the commission's report to go the other way, they seem confident that the Canadian deal is going to go ahead on favourable terms.

Allied's shareholders need not lose too much sleep worrying about the options. With a prospective yield of more than 4.5 per cent, their shares are not expensive relative to the rest of the sector. So, they can wait to watch events unfold.

While Elliott tunes his didgeridoo, the bagpipes are building up to a crescendo elsewhere in the brewery sector. Next week, the stormy affairs of GUINNESS come to a head when shareholders decide whether to approve the proposed new board structure; and the clans are gathering to lead the opposition.

For those who have just come back from a pony trek in the Sahara, the story is that Guinness has tossed aside the tartan-flavoured board structure which it promised to set up during its bid for Distillers. After considerable arm-twisting, it has agreed to a compromise that would allow Ernest Saunders to remain as chairman, but would also bring in a strong non-executive element.

Several major Scottish institutions believe this is not good enough and Sir Thomas Risk, the much respected Governor of the Bank of Scotland who would have been chairman of Guinness under the original proposals, has made it clear that the decision to abandon the plan was not preceded by any serious discussion. Very unwisely, the Guinness response to Sir Thomas's statement this week has been to cast doubt on his version of events.

Will shareholders vote on the basis of expediency, and support the board, or on the basis of stern principle? See next week's gripping episode.

Richard Lambert

HIGHLIGHTS OF THE WEEK

	Price y'day	Change on week	1986 High	1986 Low	
FT Ordinary Share Index	1,338.4	+26.5	1,425.9	1,094.3	Late-summer surge continues
FT Gold Mines Index	308.6	+59.2	357.0	185.7	Bullion advances to three-year high
AE	250	+17	250	139	Turner and Newall bid situation
Acorn Computer	54	+ 8	106	34	Mid-term profits recovery
Anglo American Corpn	£10½	+ 1½	£10½	630	Strong gains in bullion/platinum
Brownlee	77	+13	77	37	Meyer Intnl Cash bid of 74p per share
Bryson Oil and Gas	56	+20	65	18	£840,000 cash injection
Bunzl	218	−20	240	159	£197.4m rights issue
Consolidated Gold Fields	549	+49	552	409	Firm bullion/preliminaries September 16
Cookson	521	+48	568	354	Better-than-expected interim figures
Jaguar	540xd	+33½	585	335	Revived US demand
Logica	230	+27	230	122	"Star Wars" contract
Lonrho	225	+18	274	184	Buoyant precious metal prices
Lookers	201	+32	201	90	Persistent takeover speculation
Marlborough Property	96	+12	96	60	Bid talks with L. D. and S. Rivlin
P & O Deferred	548	+33	575	430	Brokers upgrade profit estimates
Sons of Gwalia	285	+47	285	143	Bullion at three-year high
Stat-Plus	340	+35	340	190	Good first-half results
Titaghur Jute	91	+41	91	24	Gauri Shanker stake
Tyzack (W. A.)	52	−13	52	31	Gild Investment holds 24.9 per cent stake

Another two set to leave

"A rotting carcass of a boat
Not rigged nor tackle
Sail nor mast: the very rats
Instinctively have quit it."

William Shakespeare's metaphor of rats deserting sinking ships might be a little histrionic but over recent months the dribble of companies leaving the USM for the main market has turned into something of a deluge. In the first half of 1986 nine companies graduated to a full listing, almost as many as in the whole of 1985. Now two more — the Goodhead Print Group and Thermax Holdings — have signalled their intention to go.

Goodhead announced its proposals for graduation together with a set of preliminary results that included a 34 per cent increase in pre-tax profits to £1.2m in the year to May 31, and a 14 per cent rise in turnover to £24.1m.

In its time on the USM, little more than a year, Goodhead has used the market to diversify from its base in the intensely competitive contract printing industry into free newspaper publishing. Just two days after publication of its results, Goodhead mooted plans for a £3.5m rights issue in order to reduce the borrowings incurred by diversification.

Having secured a foothold in the free newspaper market, Goodhead is now eager to accelerate its expansion and sees its move to the main market as part of that programme.

Thermax also plans to move to the main market in order to facilitate acquisitions. But its progress on the USM has been quite different.

The company joined the USM in 1981 as VW, a sheet metal fabricator. Little more than a year after the flotation, VW plunged into losses. A privately owned glass manufacturer, Thermax, mounted a reverse takeover, not because there was any industrial logic in the merger but because it represented a swift route to a public quotation. VW's losses mounted and last autumn, just two years after the takeover, Thermax sold VW and rechristened its company Thermax Holdings.

Having disposed of VW, Thermax has hauled itself back into the black and last week unveiled pre-tax profits of £1.76m for the year to June 30 and revealed its intention to apply for a full listing.

There is nothing unusual in

USM
UNLISTED SECURITIES MARKET

companies moving from the USM to the main market. Indeed, the junior market has, from its inception, been perceived as a breeding ground in which young companies can find their feet before tackling the rigours of full listing.

In the past five years, some 61 companies have graduated from the USM. This year's crop has included the retail group Body Shop; the advertising agency Valin Pollen; the property company Tops Estates; and the printing group Hunterprint.

What is unusual about the graduation of both Goodhead and Thermax is that they are relatively small companies with market capitalisations of just under £10m and just over £15m respectively. Traditionally, only the USM's larger stocks have tended to transfer to the main market. Two other USM companies which have signified their intention to move by the end of the year, Central Television and the Parkfield Group, have market capitalisations of around £80m and £56m respectively.

For larger companies like Central and Parkfield, there are obvious advantages to a full listing. Many institutional investors have self-imposed limits on their level of commitment to the junior market *per se, or* to individual companies quoted on it. These restrictions can prove problematic for companies proposing to embark upon large acquisitions.

Yet, for smaller companies there are obvious advantages to staying on the USM, not least because mounting small acquisitions is less costly and less complex.

The Stock Exchange Council does not require USM companies to issue full listing particulars when making acquisitions, for example, nor to circulate details of the purchase if the acquired company is less than 25 per cent of their size. This can save a USM company around £50,000 for each deal which, for a small company, represents a healthy tranche of pre-tax profits.

Goodhead and Thermax both have other reasons for moving to the main market. Both have evinced concern that after the Big Bang, next month, the market in USM shares will become increasingly illiquid, that perceptions of USM stocks will deteriorate, and the ratings of those stocks will suffer.

However, concern about illiquidity is not, in itself, sufficient reason to move. The USM does offer tangible benefits to young, growth-hungry companies. And if illiquidity does emerge as a problem after deregulation, it will affect all small companies, whether on the main market or the USM. Thus, a move to the main market will do nothing to ease liquidity problems for companies, or for their shareholders.

Alice Rawsthorn

BT expected to ring up £500m profit

THE SMALL investor will be watching closely when BRITISH TELECOM unveils its first quarter figures on Wednesday. Analysts' forecasts hover in a range around £500m compared with £443m in the same period last year.

Traffic growth of around 7 per cent is likely to have provided the bggest stimulus but BT's drive for cost control which started to show benefits in last year's fourth quarter will also warrant a mention. On top of those factors will be the benefits gleaned from November 1985's 7 per cent increase in charges. Good figures will put BT in line to top the £2bn profit level for the full year.

After much reorganisation at BAT Industries, interim profits for the six months to 30 June, due on Wednesday, are likely to be £480m, up from £449m in the same period last year. BAT has recently sold several US retail outlets and Lawson Mardon, the packaging company.

BAT's hopes for growth are pinned on the financial services division, led by Eagle Star and Allied Dunbar which should show nearly doubled profits this half. The problem areas are in tobacco, notably Brazil, but heavy cigarette sales in June should limit the fall in tobacco profits. However, the tobacco division is still the major profit provider. Paper profits should be up, thanks to higher demand at Appleton and Wiggins Teape.

The BTR share price has staged something of a recovery in the last few days, after languishing during months of concern about a slowdown in the US and adverse currencies. The holders should be vindicated on Wednesday when the company is expected to announce interim profits of around £185m.

Currencies have been unfavourable, however, and BTR has good cause to regret the decision to switch to year-end translation, a ploy designed to flatter its figures during the battle for Thomas Tilling. Activities in the US have been rather lack-lustre, chiefly because of oil exposure, but growth in Europe should compensate. On the whole manufacturing interests should have outperformed distribution.

BRITISH AEROSPACE, which is due to produce interim results on Wednesday, has benefited from all the Farnborough Air Show publicity and

Results due next week

has just received a shot in the arm with the confirmation of the £66m order from Saudi Arabia for six of its 146 airliners.

Confusion remains over the European Airbus project, however, and the major £5bn Saudi order is not expected to impact until the end of this year.

The City is expecting BAe to announce £79m pre-tax, against £68m at the half-way point last year. Earnings per share, however, may fall if the tax charge is as high as some analysts are forecasting. In the first six months of 1985 the tax take was under 10 per cent; this time it could be nearer 25 per cent.

The PRUDENTIAL CORPORATION, like every other major insurance company, has enjoyed a healthy first half of 1986. The City expects to see a surge in pre-tax profits to around £45m when the Pru's interim results are unveiled on Tuesday.

In the UK, life insurance activities have underperformed the sector as a whole, sporting estimated growth of 6 per cent in the first half. Overseas earnings will have suffered too, but from adverse currency translation. Similarly growth in group pensions within the UK has been far from startling, with an increase of around 12 per cent.

Yet the remedial action implementation in 1985 should have benefited non-life business.

At the time when ROWNTREE MACKINTOSH bought Sunmark, owners of the famed Willy Wonka brand, for £155m, it forecast that first-half profits would show little change from the year-earlier £20.5m. Analysts are now looking for Thursday's figures to show a small increase to £21m.

The main factor slowing Rowntree's growth has been currencies, in particular the weakness of the US and Australian dollars and the South African rand. Canadian profits have also been hit by an increase in confectionery sales tax. However, both UK and European profits are expected to bounce back after poor halves last year.

Loss elimination and acquisitions should allow BOWATER INDUSTRIES to announce on Thursday that interim profits are up to £19m from £13.5m. Demand for "new feel" Andrex will have boosted profits in the tissue division, although the sale of the Bowater-Scott stake will mean that this is the last UK contribution from that source.

Merchanting profits should be boosted by the Adlard acquisition and packaging should benefit from the Starrex purchase and from loss elimination at Camvac. The paper and pulp division is slowly recovering from a poor second half last year.

Company	Announcement due	Dividend (p)* Last year Int.	Last year Final	This year Int.
FINAL DIVIDENDS				
Benchmark Group	Friday	0.625	0.875	0.75
Cantors	Tuesday	0.5	1.5	0.75
Central and Sharwood	Wednesday	—	—	—
Copson, F.	Monday	—	1.5	—
Dialene	Tuesday	—	—	—
Estates Property Investment Company	Thursday	2.75	5.5	3.0
Haynes Publishing Group	Thursday	4.6	9.0	5.0
Isotron	Wednesday	—	—	0.5
London Shop Property Trust	Thursday	1.35	3.6	1.45
New Danen Oil Trust	Tuesday	—	0.625	—
Pacific Sales Organisation	Tuesday	1.0	2.0	1.0
Pifco Holdings	Friday	1.76	3.52	1.76
Ricardo Consulting Engineers	Tuesday	0.875	1.875	1.0
Sigmex International	Wednesday	—	—	—
Sirdar	Wednesday	1.32	2.8	1.65
Star Computer	Wednesday	—	—	—
Stewart and Wight	Thursday	—	15.0	—
Trade Promotion Services	Tuesday	1.06	2.75	1.16
Walker, Thomas	Thursday	0.1675	0.7325	0.17
Wood, S. W.	Friday	—	1.0	—
INTERIM DIVIDENDS				
Accord Publications	Thursday	—	—	
Associated British Ports	Wednesday	1.625	3.375	
Beecham Group	Monday	1.0	1.0	
B.A.T. Industries	Wednesday	4.75	7.35	
BICC	Wednesday	3.5	7.5	
Blackwood Hodge	Tuesday	—	—	
Blockleys	Wednesday	10.0	16.0	
Booker	Tuesday	4.25	7.75	
Boustead	Friday	—	—	
Bowater Industries	Thursday	3.75	5.5	
British Aerospace	Wednesday	5.8	10.0	
British Mohair	Thursday	1.25	4.75	
British Telecommunications	Wednesday	3.0	4.5	
British Vita	Monday	3.3	3.7	
BTR	Wednesday	2.5	3.3333	
Burmah Oil	Thursday	4.5	8.25	
Caparo Industries	Thursday	0.75	0.9	
Costain Group	Wednesday	6.5	10.5	
Delta Group	Friday	2.35	4.15	
DRG	Wednesday	3.3	4.95	
Dwek Group	Tuesday	—	—	
European Ferries	Thursday	1.1	3.65	
Executex Clothes	Wednesday	—	2.0	
Expamet International	Tuesday	2.35	3.55	
Fitch and Co. Design Consultants	Tuesday	2.0	4.1	
Friendly Hotels	Monday	—	0.7	
Hortons Group	Wednesday	0.441	0.829	
Hawley Group	Tuesday†	1.75	2.85	
Hepworth Ceramic	Thursday	2.8	4.3	
Hestair	Tuesday	1.5	2.325	
Keep Trust	Tuesday	1.875	2.625	
Laidlaw Group	Thursday	1.1	1.7	
Laing, John	Thursday	2.6	5.0	
Laird Group	Tuesday	2.4	3.6	
London United Investments	Wednesday	5.6	10.0	
Lopex	Monday	—	—	
Low and Bonar	Monday	3.0	6.5	
Lowe Howard-Spink and Bell	Tuesday	2.0	4.0	
McAlpine, Alfred	Tuesday	3.8	8.7	
Mellerware International	Monday	1.0	2.0	
Micro Business Systems	Monday	0.5	—	
Newman Industries	Tuesday	0.3	0.5	
Pearson	Tuesday	4.25	5.75	
Provident Financial Group	Tuesday	3.33333	7.5	
Prudential Corporation	Tuesday	9.0	17.0	
Rowntree Mackintosh	Thursday	4.0	8.2	
Savoy Hill	Tuesday	—	3.5	
Senior Engineering	Tuesday	0.825	0.875	
Sherwood Computer Services	Monday	1.0	2.0	
Systems Reliability	Wednesday	1.5	3.5	
Willis Faber	Tuesday	5.0	6.25	

* Dividends are shown net pence per share and are adjusted for any ...

INTEREST RATES: WHAT YOU SHOULD GET FOR YOUR MONEY

	Quoted rate %	Compounded return for taxpayers at 29%	45%	60%	Frequency of payment	Tax (see notes)	Amount invested £	Withdrawals (days)
CLEARING BANK*								
Deposit account	4.30	4.39	3.40	2.47	monthly	1	—	0-7
High interest cheque	7.20	7.40	5.73	4.17	quarterly	1	2,500 minimum	0
Three-month term	6.50	6.66	5.16	3.75	quarterly	1	2,500-25,000	90
BUILDING SOCIETY†								
Ordinary share	5.25	5.32	4.12	3.00	half yearly	1	1-250,000	0
High interest access	7.00	7.00	5.42	3.94	yearly	1	500 minimum	0
High interest access	7.25	7.25	5.62	4.08	yearly	1	2,000 minimum	0
High interest access	7.50	7.50	5.81	4.23	yearly	1	5,000 minimum	0
High interest access	7.75	7.75	6.00	4.37	yearly	1	10,000 minimum	0
90-day	8.00	8.16	6.32	4.60	half yearly	1	500-24,999	90
90-day	8.25	8.42	6.52	4.74	half yearly	1	25,000 minimum	90
NATIONAL SAVINGS								
Investment account	10.75	7.63	5.91	4.30	yearly	2	5-100,000	30
Income bonds	11.25	8.41	6.52	4.74	monthly	2	2,000-100,000	90
31st issue‡	7.85	7.85	7.85	7.85	not applicable	3	25-5,000	8
Yearly plan	8.19	8.19	8.19	8.19	not applicable	3	20-200/month	14
General extension	8.01	8.01	8.01	8.01	yearly	3	—	8
MONEY MARKET ACCOUNTS								
Money Market Trust	7.29	7.42	5.75	4.18	half yearly	1	2,500 minimum	0
Schroder Wagg	6.73	6.94	5.38	3.91	monthly	1	2,500 minimum	0
Provincial Trust	7.48	7.74	6.00	4.36	monthly	1	1,000 minimum	0
BRITISH GOVERNMENT STOCKS§								
7.75pc Treasury 1985-88	9.48	7.21	5.96	4.78	half yearly	4	—	0
10pc Treasury 1990	9.52	6.65	5.07	3.59	half yearly	4	—	0
10.25pc Exchequer 1995	9.71	6.80	5.19	3.68	half yearly	4	—	0
3pc Treasury 1987	7.45	6.56	6.07	5.61	half yearly	4	—	0
3pc Treasury 1989	7.16	6.24	5.73	5.25	half yearly	4	—	0
Index-linked 1990¶	8.20	6.92	6.60	6.29	half yearly	2/4	—	0

* Lloyds Bank. † Halifax. ‡ Held for five years. § Source: Phillips and Drew. ¶ Assumes 4 per cent inflation rate. 1 Paid after deduction of composite rate tax, credited as net of basic rate tax. 2 Paid gross. 3 Tax free. 4 Dividends paid after deduction of basic rate tax.

COMPANY NEWS SUMMARY

TAKE-OVER BIDS AND MERGERS

Company bid for	Value of bid per share**	Market price**	Price before bid	Value of bid £m's**	Bidder
	Prices in pence unless otherwise indicated.				
AE	280§ §§	250	182	275.63	Turner & Newall
Barrie Invs & Fin	18½	16½	16½	17.55	Bestwood
Bestobell¶	548	540	498	88.25	Meggitt Hldgs
Blacks Leisure	3.6*	4¼	5	2.00	Sears
Brengreen	51½§§	50½	41½	33.54	BET
Brownlee	74*	77	64	17.7	Meyer Intl
Brutus (Mbrgh)¶	62*§	71	55	4.98	Carlco Eng
Gilbert House	15*§	15	13	4.32	Letts Green Est
Greenbank Group	60½	58	49	15.25	Walker (C. & W.)
Hargreaves Grp	220§ §§	265	180	78.95	Coalite Grp
HAT Group	153½	140	94	117.67	BET
Hill (Philip) Inv Tst	¶¶	334	323††	¶¶	BPCC
Lond & Midland	242	239	213	60.20	Williams Hldgs
Man Ship Canal¶	625*§	675	660	23.49	Highams
May & Hassell	153¼	142	112	14.41	Hillsdown Hldgs
Mayhew Foods¶	136	128	115††	18.47	Northern Foods
Meadow Farm Pro	310	300	275††	62.93	Hillsdown Hldgs
Midland Mrts Gp¶	130*	173	143	6.70	Oyston Est Agency
Ocean Transport & Trading	225*§	240	217	257.53	IEP
Plan Invest Grp¶	126	118	105	2.77	Stakis
Prop Hldg & Inv	133½	129	145	109.38	Greycoat Group
PSM Intl	195§§	193	180	23.66	McKechnie Bros
Rotaflex	490*	482	483	54.19	GTE Corp
Wingate Prop Inv	150*	425	130††	20.68	Chase Corp

* All cash offer. † Cash alternative. ‡ Partial bid. § For capital not already held. ¶ Unconditional. ** Based on 2.30 pm prices 5/9/86. †† At suspension. §§ Shares and cash. ¶¶ Related to NAV to be determined. ‖ Loan stock. ‡‡ Suspended. ‖ Swedish kronor. a Tender offer for 25.1 per cent of capital. b Uns. Loan Note offer.

PRELIMINARY RESULTS

Company	Year to	Pre-tax profit (£000)		Earnings* per share (p)		Dividends* per share (p)	
Armitage Bros	May	453	(358)	63.0	(62.0)	35.0	(30.0)
Clarke Hooper	Apr	845	(275)	7.4	(2.2)	—	(—)
Dixon, David	Mar	1,100	(702)	52.1	(33.9)	8.0	(8.0)
Goodhead Print	May	1,200	(896)	10.2	(7.6)	3.0	(—)
Heath, Samuel	June	507	(325)	98.5	(65.6)	30.0	(23.0)
IFICO	June	538	(1,050)	3.7	(14.7)	1.5	(3.3)
ISIS Group	Mar	2,760	(1,360)	17.4	(13.4)	13.0	(10.5)
LDH Group	May	440	(237)	3.8	(2.0)	—	(—)
New Cav Estates	June	184	(99)	2.1	(2.6)	1.2	(1.2)
Owen & Robinson	May	89L	(129)L	—	(—)	10.0	(10.0)
Phoenix Timber	Mar	973L	(81)L	—	(—)	—	(—)
Smith Whitworth	Mar	68L	(100)	—	(1.5)	0.25	(0.25)
Thermax Hldgs	June	1,760	(20)L	9.4	(—)	5.0	(1.0)
Zygal Dynamics	Mar	232L	(230)L	—	(—)	0.5	(—)

INTERIM STATEMENTS

Company	Half-year to	Pre-tax profit (£000)		Interim dividends* per share (p)	
Abbey Panels	Mar	641	(407)	1.2	(1.0)
Acorn Comp	June	140L	(15,760)L	—	(—)
ASD	June	1,210	(1,400)	4.0	(4.0)
Babcock Intnl.	June	16,030	(15,037)	4.0	(3.64)
Beattie, James	July	1,820	(1,620)	—	(—)
Beradin Hldgs	Mar	155	(352)	—	(—)
Brammer	June	6,130	(5,710)	4.5	(4.5)
Bryant, Derek	June	96	(726)	—	(2.7)
Bunzl	June	27,110	(10,020)	1.75	(1.42)
Cadbury Schwps	June	43,100	(33,800)	1.8	(1.6)
Cement-Road	June†	10,760	(9,350)	1.27	(1.15)
Church & Co	June	1,690	(2,080)	2.5	(2.5)
Collins, W.	June	5,120	(4,730)	2.6	(2.38)
Comb Leas Fin	June	1,060	(—)	0.45	(—)
Cookson Group	June	43,000	(36,600)	2.75	(2.4)
Crouch, Derek	June	1,330	(1,310)	2.02	(1.79)
Edin Oil & Gas	June	118L	(177)	—	(—)
Evans Halshaw	June	1,330	(876)	0.72	(—)
Exco Intl	June	18,100	(17,100)	2.4	(1.6)
Fisher, James	June	1,130	(2,870)	1.65	(1.0)
Gaskell Broad	June	589	(587)	2.0	(2.0)
GRE	June	56,000	(500)	10.0	(9.0)
Hillsdown Hldgs	June	19,600	(13,500)	1.4	(1.2)
Hyman	June	813	(895)	0.75	(0.75)
IMI	June	30,500	(22,600)	2.5	(2.2)
Instem	June	480	(379)	1.0	(0.75)
Lambert Howarth	June	559	(427)	2.0	(1.5)
Linread	June	351	(345)	1.0	(1.0)
Macfarlane Grp	June	1,910	(1,750)	1.11	(1.01)
Maclellan, P. & W.	June	188	(258)	0.7	(0.7)
Mac Martin Dis 'A'	June	802	(476)	4.0	(3.0)
Mac Martin Dis 'B'	June	802	(476)	2.0	(1.5)
Metal Closures	June	2,030	(2,310)	2.2	(2.2)
Neill, James	June	523	(2,510)	2.5	(2.5)
Norank Systems	June	326	(90)	1.5	(—)
Padang Senang	Mar	33	(40)	—	(—)
P & O	June	69,800	(58,500)	7.5	(6.0)
Pentos	June	881	(441)	0.22	(0.18)
Petranol	June	6	(2,310)	—	(—)
Portals	June	10,450	(9,103)	2.75	(2.5)
Powerline Intl	June	649	(854)	1.0	(0.8)
Quick, H. & J.	June	506	(249)	0.75	(0.6)
Richards (Leic)	July	143	(144)	1.6	(1.0)
Ropner	June	2,670	(3,970)	2.5	(2.5)
SPP	June	1,140	(1,200)	—	(—)
Sharpe & Fisher	June	1,300	(669)	0.75	(0.61)
Sound Diffusion	June	4,030	(2,680)	—	(—)
Squirrel Horn	June	37	(60)L	—	(—)
Statplus	June	1,150	(675)	2.0	(1.0)
Steel Burrill	June	2,520	(1,540)	2.4	(2.0)
Sun Alliance	June	43,000	(15,000)L	7.5	(5.75)
Tioxide	June	52	(37)	2.75	(2.4)
Wates City of Lon	June	3,880	(1,610)	0.7	(0.7)
Western Motor	June	419	(176)	—	(—)
Wickes	July	2,790	(1,494)	0.83	(—)
Wilson (Conn)	June	10,250	(7,824)	0.8	(0.58)
World of Leather	June	551	(489)	—	(—)

(Figures in parentheses are for the corresponding period.)

* Dividends are shown net pence per share except where otherwise indicated. † In I£. L Loss.

RIGHTS ISSUES

Bunzl—To raise £191m through a one for three rights issue at 195p.

Goodhead Print—To raise £3.5m through a rights issue of 7 per cent convertible cumulative preference shares on basis of two for five at 140p.

Tiphook—To raise £12m through a one for three rights issue at 250p.

OFFERS FOR SALE PLACINGS AND INTRODUCTIONS

Creighton Laboratories—USM placing of 1m shares at 130p.

European Home Products—Offer for sale of 10.75m shares at 160p.

Newage Transmissions—USM placing of 3.5m shares at 75p.

Phoenix Timber—To raise £5.2m through an issue of 7.2m new shares at 75p.

Scottish Metropolitan Properties—Issuing £30m 10.25 per cent first mortgage debenture stock 2016 at £96.645.

Bulls roar again

THE BULLS have done it again. With its jump of 38.38 points on Thursday, the Dow Jones Industrial Average has set a new record and the four-year old bull market has confirmed that it is in fine fettle.

Economists may persist in warning that the US economy is squeezed three ways between massive trade deficits, a tightening of fiscal policy, and the uncertainties of tax reform. The technical analysts may disagree amog themselves on whether the market's mainly sideways movement in the past few months has represented a typical broad topping-out or a firm new plateau from which the bulls can now move on to further large advances.

In the short run, though, there is likely to be some powerful follow-through now that the market has decisively broken through its previous record—especially since the economic picture could prove a little less discouraging in the immediate future than it has been in the recent past.

Yesterday's favourable employment figures, the sense that trade deficits could hardly get any worse than the horrific July figure of $18bn, and the unexpected trip to Washington this weekend by Kiichi Miyazana, the Japanese Finance Minister, presumably to discuss co-ordinated actions to boost the international economy—all of these factors suggest that the markets may already have the worst behind them. Certainly, most forecasters expect economic growth for the rest of this year to be considerably stronger than the near-recessionary 0.6 per cent rate recorded in the second quarter.

Looking further ahead, however, the outlook remains as cloudy and confused as ever.

From the technical standpoint, there are doubts about the rally's staying power as

Wall Street

analysts note the lack of breadth in the recent advance.

More noteworthy still is the fact that the market's record-breaking performance would have been impossible without the recent dramatic recovery in oil stocks

Clearly, Opec's success in restraining oil production is a slender reed on which to build an investment strategy. But, even more importantly, it would bring into question many of the hopes on which the bull market's record breaking run in the past four years have been based.

This crucial point was underlined strongly this week by the unusual divergence between equity and bond prices, plus the important role played by that perennial joker of the investment game—gold.

Ever since 1982, what has turned out to be the greatest bull market in post-war economic history has been powered by rapidly falling interest rates and the collapsing prices of physical commodities — above all, oil and gold. As commodity prices have fallen, inflation has abated throughout the industrialised world, interest rates have declined, and rising bond prices have helped to buoy up the equity markets.

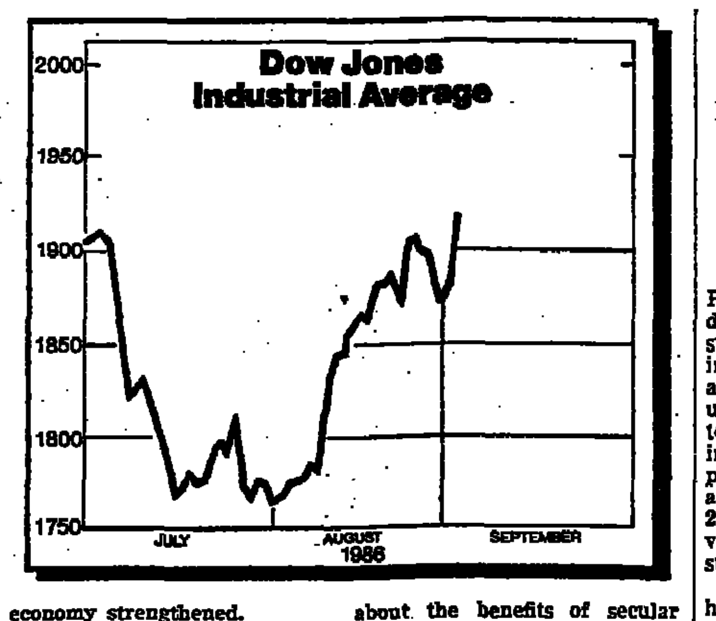
Even when US corporate profits began to melt away last under the pressure of the overvalued dollar, equity prices went on climbing as the decline in long-term interest rates and inflationary expectations pushed price-earnings ratios ever higher.

So firm was the psychological link forged between interest rates, inflationary expectations and equity prices, that Wall Street's conventional wisdom came to regard declining interest rates as almost a necessary and sufficient condition for a bull market in stocks. It was this perspective that encouraged *many of the apparently* perverse reactions which gradually came to be taken for granted in the investment community. The stock market would rise on signs of economic weakness and fall as the economy strengthened.

As of this week, the market has apparently rejected this kind of reasoning. Instead, a more old-fashioned view seems to be taking over: a combination of stronger growth and moderately accelerating inflation can be good for equities even if it prevents interest rates falling any further. Thus, equities have hit new records this week

To rub the point in, the gold price, regarded universally as an indicator of inflationary expectations, has been moving up by leaps and bounds. Effortlessly, gold has swept away the technical resistance points built up over four years. Suddenly, it seems, investors have turned their backs on all those theories about the benefits of secular disinflation that were so fashionable only a few weeks ago.

But what if secular disinflation — is even deflation — remains the dominant force in the world economy, beneath the superficial gyrations of gold and oil price? For those investors who are determined to chase the present bull market to its final peaks, that could eventually prove a very expensive uestion to answer.



		Closed
MONDAY		Closed
TUESDAY	1,870.36	−27.98
WEDNESDAY	1,881.33	+10.97
THURSDAY	1,919.71	+38.38

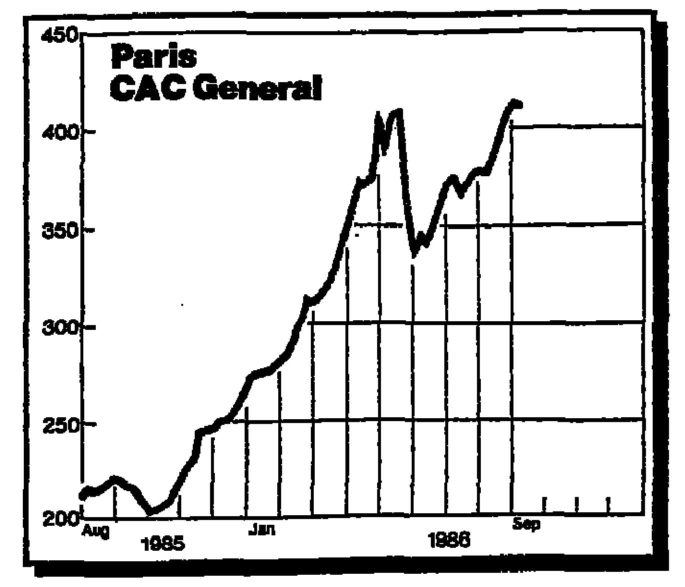
Anatole Kaletsky

French without fears

PARISIANS returning to a *deserted capital from their* summer break found the Bourse in good heart. Foreign buyers and French institutions had used the long, hot August days to push the Stock Exchange indicator back past its previous peak in mid-May to achieve a new record of 412 on August 29 — thus helping to cast a veil over the nasty tumble that stock prices took late in May.

Bourse officials foreshadow a heavy fresh fund-raising in the tail half of the year, both through new share issues and *certificats d'investissement.* Some 20 small and medium sized companies are also planning launches on the second—unlisted securities—market.

On top of this, though, the *Government's privatisation* programme will get under way in the autumn with Edouard Balladur, the Minister of Finance expected to announce on television on September 10 the names of those to move first to the starting track. Three groups are expected to be in the first batch—including Saint Gobain and possibly Paribas and the insurer AGF—with a potential market capitalisation of FFr 30-40bn.



Stock Exchange committees have been meeting over the summer to advise the Government on the mechanics of payment, shareholding by employees, and on widening the market for the shares by distributing them through banks and other agencies. Preparations are also being made for a large-scale publicity campaign—much influenced by what the French regard as the highly-successful launching of British Telecom—which should broaden knowledge of the market.

Fears that the market would not be able to absorb this large weight of paper have now been discounted. In part, its resilience is due to the Bourse beginning to reach new classes of savers who previously had shown no interest in the Stock Exchange. In *this* context, France has a large untapped potential because of the low proportion of people investing in shares as compared with Britain and the US.

Brokers give widely differing examples of this growing interest — new funds flowing into Sicavs (unit trusts); small and often young investors taking an interest for the first time in managing a portfolio; and families selling off unwanted property, particularly land, to put the returns *on the* Stock Exchange. But all the examples point to a growing class of new shareholders — a phenomenon which is confirmed by the increasing financial coverage and advertising in the French Press.

*Foreign institutions nonethe*less still seem to be setting the pace in the French market — with the latest rally coinciding with a revival of foreign (largely British and US) purchasing.

Concern that the market has been riding too high to permit a smooth launch for privatisation has also been increasingly discounted. Brokers say that a steady market is much more important than its price level.

However, there is no doubt that Balladur's nightmare is that the market could take a tumble just after small shareholders have been encouraged to buy the newly-offered shares of privatised groups.

Behind the overall upward push of the market has also been a rosier picture of France's growth potential. French firms have been turning in good profit figures, spurred by falling energy costs and continuing wage restraint There

Paris

is no serious sign of major labour conflicts looming this autumn, nor that the consensus on wages will fall apart. Inflation looks likely to remain within the Government's 2.3 per cent ceiling for the year. The markets generally are pleased with the government's policies so far — and pleased as well that measures like the lifting *of foreign exchange controls* will bring France back into the mainstream of Western nations.

There are some worries that "cohabitation" between a Socialist president and a right wing prime minister could explode. But although the conflict over the redrawing of parliamentary constituency boundaries is being watched, few feel it will result in a major political crisis.

In the overall upward swing, the *certificats d'investissement* of nationalised groups, which had hovered close to their offer price, have now gained ground. Saint Gobain was being quoted on Thursday at FFr 346 against an offer price of FFr 300, and RNP, which raised a massive FFr 5.3bn *in certificats,* has seen its price rise to FFr 512 against an offer price of FFr 485.

David Housego

CRA grasps the currency nettle

"OFF WE go again!" cried the happy bulls of platinum this week. Nothing, it seems, can stand in the way of the heady advance in the metal price—or can it? Since the beginning of this year the price of an ounce of platinum has soared from $342, reaching $670 or so this week.

The reason for the rise is basically concern that, for one reason or another, there could be a stoppage in the supplies from South Africa that are much-needed in the West for industrial purposes. However, jewellers, notably in Japan, are reluctant to chase rising prices and may be turning more to gold as an alternative.

They may not be alone in this. Speculative or, if you prefer, investment buyers of platinum could now be thinking in terms of taking profits (on the view that nothing goes up for ever) and switching them into gold which is some $250 an ounce cheaper. Gold is also going up, but for different underlying reasons.

It might be true that the strength of platinum has focused attention on the other precious metal but, as I have been at pains to point out in recent times, gold is reverting to its traditional role as a hedge against economic uncertainties generally.

This week, the gold price suddenly and decisively burst above the $400 an ounce level in New York. It was no coincidence that this happened on the same day that the Dow Jones index there dropped 27.98 to 1,870.36 to the accompaniment of increased worries about the US economy and, in particular, *fears that inflation could raise* its ugly head.

Meanwhile, UK investors concerned about the fall in sterling will have noticed that an ounce of gold now fetches about £280 compared with £227 at the beginning of the year. And that is in a period of low inflation here which, some say, might be coming to an end.

More concerned about a weak domestic currency are the Australians — at least, they should be. It has gone into free fall compared with the declining US dollar; and while this benefits the Australian dollar revenue obtained from US dollar-priced exports it also hits those companies Down Under which have big US loans to service.

One such is CRA, the Rio

Mining

Tinto-Zinc group's 52.3 per cent-owned Australian arm. CRA *cannot see the Australia dol*lar recovering to above its end-1985 value of 68 US cents during the period in which the company's big US dollar loans have to be repaid. The Australian dollar is now worth 61 cents.

So, CRA has grasped the nettle in its half-year results by making a provision of A$183.4m (£75m) against the so-far-unrealised currency losses on its US borrowings. This special charge has been made in the accounts after a rather uninspiring net profit for the period of A$60.3m, or 12.2 cents per share, against A$51.4m a year ago.

The latest profit—before deducting the currency charge—is uninspiring because it should have been much higher in the light of the exchange rate gain on US-priced products. But metal prices have remained depressed and earnings from iron ore—a mainstay of revenue in recent times—have dropped *to A$67.3m from A$98.7m as a* result of lower sales and reduced prices.

CRA has reduced its interim dividend to 3 cents from 5 cents, but the share price has moved up. This is probably because CRA has tackled the currency problem in one fell swoop in its accounts and has taken steps to protect itself from further losses.

Indeed, CRA has forecast a better result in the second half; but the latest figures are not going to help the half-year results of parent RTZ which are due later this month.

Incidentally, an interesting ray of light in the CRA results was the indication of the sharply-expanding profits of the Argyle diamond operation in Western Australia, which entered the major phase of production at the end of last year. CRA's 56.8 per cent share of the Argyle profits quadrupled to A$1.2m in the six months to June 30.

This was only a taste of what is to come from the big diamond operation because of the time-lag between the end-December production boost and the subsequent sales therefrom which did not begin until May. The other major shareholder in Argyle is **Ashton Mining** with 38.2 per cent, while an indirect interest of 17.7 per cent is held by **Malaysia Mining Corporation** via its holding in Ashton.

● **Anglo American Gold Investment** (Amgold), the major South African gold share investment company, has lifted earnings for the six months to August 31 by 15 per cent to R168.5m (£47m) and raised the interim dividend to 700 cents from 625 cents last time when there was a subsequent final of 825 cents. These results reflect a rise in the South African price of gold during the latest period of 22 per cent to R758 per ounce. It reached R1,000 yesterday.

● Tony Grey, chairman of Australia's **Pancontinental Mining**, has been in town this week. He tells me that, with its increased capacity, the company's Paddington gold mine should produce about 95,000-100,000 oz of gold in the year *to next June 30. In 1985-86,* output was 75,078 oz, falling short of the 90,000 oz target because of electrical problems at the plant and some metallurgically difficult ore. These problems are now over and, with—hopefully maintained—coal revenue the company looks for a modest increase in 1986-87 earnings after the previous year's advance.

Kenneth Marston

• FINANCE & THE FAMILY •

IN THE NEWS

STANDARD & Chartered Bank has a long history in the Far East. So, the Pacific Basin Trust just launched by its subsidiary company, Scimitar, should have plenty of expertise on which to draw.

The fund adviser will be Anne West, managing director of the Scimitar Hong Kong office. She says there are many opportunities for investment in the region, which includes some sharply contrasting markets — Japan, for example, is booming at present while Malaysia and Singapore are depressed by all kinds of problems.

Throw in Australia, Hong Kong, New Zealand, the Philippines, South Korea and Taiwan and you can see that it will take some nimble and expert management to pick the right track.

The Pacific Basin Trust, which will concentrate on maximum capital growth with a gross initial yield not expected to exceed 1 per cent, will be priced at 25p a unit until September 26. Discounts of 1 per cent for amounts up to £5,000, and 2 per cent for above £5,000, are offered during the launch period. Minimum subscription is £500.

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A SAVINGS scheme designed especially for UK residents working or living abroad has been launched by John Govett's Guernsey subsidiary. Called the Govett Offshore Flexible Savings Programme, the scheme offers a way of building up savings by varying amounts in accordance with what you want to put aside. The minimum investment is only £50 a month and you can suspend subscriptions for up to six months without penalties.

Subscribers to the programme are offered the choice of two John Govett funds in which their money can be invested. These are the High Income gilt fund for the cautious saver, or the International Managed Fund which seeks capital growth through investing in the group's nine unit trusts. You can switch between either fund at any time.

Your shares will be held in Guernsey in a nominee account. Once £1,000 has been accumulated in either fund, subscriptions can be terminated with full retention of all shares and dividend rights.

There is no additional charge for setting up and administering your offshore savings account. But the normal charges are imposed for investing in the fund—5 per cent initial and 0.75 per cent annually for the High Income fund; and 7.5 and 1 per cent for the International Managed Fund.

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ANYONE who wants information on the coming British Gas flotation can now call a hotline direct to BG's share information office in Bristol (0272-272 272). However, it is not a Freefone service—you will have to pay for the call. All enquirers will be sent a comprehensive information pack containing a brochure on British Gas, a question and answer leaflet with preliminary information on the share offer, and a Stock Exchange booklet about buying and selling shares. Having initiated an inquiry, you will then be kept up to date with information about the flotation including, at the time of the share offer, a prospectus and application form.

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BRITISH TELECOM holds its annual general meeting at Birmingham's National Exhibition Centre on Wednesday. It is expected that only some 5,000 of the 1.5m shareholders will turn up to what could be quite a lively meeting. The main topic is expected to be the threat posed by Labour Party plans to renationalise British Telecom if it wins the next election, which has already brought a sharp fall in the share price.

The higher phone charges for residential users may well be raised as well, bearing in mind that the vouchers giving you a discount on your telephone finally expire on October 23 and must be used before that date.

In addition to the AGM, British Telecom plans to hold regional meetings for shareholders in the next few months in Bournemouth, Glasgow, Nottingham, Swansea and two in London.

Special attraction

HIGHER RATE taxpayers have received an attractive bonus as a result of the decision by National Savings to increase the maximum holding of 31st issue certificates from £5,000 to £10,000. It was generally anticipated that in view of the fall in inflation, National Savings would replace the 31st with a 32nd certificate giving a lower interest rate.

The 31st certificate offers a guaranteed compound rate of 7.85 per cent over five years, less than the rate currently being offered by most building societies. However the special attraction is that it is free of income and capital gains tax and, therefore, of particular appeal if you are taxed at above the standard rate.

A top rate (60 per cent) taxpayer would have to earn a gross interest rate of over 19 per cent on other investments to match the 31st certificate.

Pedigree breed

NEW developments in UK-based unit trusts are rare these days. All the marketing effort seems to be concentrated on new ideas for overseas-based funds.

However, Clerical Medical Unit Trust Managers, the unit trust arm of the mutual life company Clerical Medical and General Life Assurance Society, this week came up with a novel concept in UK equity investment — the Pedigree Growth Trust.

The objective of this trust is to invest UK "pedigree" companies with a proven growth record and potential for future growth.

The criteria for a pedigree company are:

- Continuous growth in the earnings per share of a company, preferably over five years or more.
- Stable established proven management
- Operating in an expanding market, or evidence of ability to increase market share
- Sound financial and business base on which future growth may be built.

Robert Walther, Clerical Medical's investment director, emphasised that this was not a UK blue chip fund. Small companies as well as the major ones could and do qualify. Under this selection procedure, no company operating in, a cyclical industry, such as Oil or Insurance, will get selected no matter how good their reputation or management.

The current list of pedigree companies includes not only giants such as Hanson Trust, Marks and Spencer and Sainsbury, but insurance brokers Bradstock, Amstrad and Spring Ram, the kitchen and bathroom equipment company.

A company whose operations change so that it fails to meet the requirements—such as falling earnings or a change in management—will be removed from the list and if held in the fund, then disposed of, though Robert Walther emphasised that the fund's manager would be flexible over this.

Indeed he has to be, a drop in earnings will invariably mean a corresponding fall in the share price and this leads to the fundamental weakness of the trust.

The selection of the stocks for the fund is very mechanical with the fund manager having little freedom to exercise his judgement. He is restricted in his timing of stocks into the fund and even more restricted in his timing as to when to get out.

In particular, it would appear that he is in danger of buying when the share price is strong since the share has to have an established strong earnings record before it is eligible and selling when the share price is weak — a fault that the professional fund managers usually attribute to amateur investors.

The research done by the investment team of Chemical Medical on past performance of pedigree stocks hardly inspires confidence that this fund will hit the heights as the table shows. Robert Walther points out that this fund is for the long-term investor looking for a safe steady investment to form the bedrock of his portfolio. He considers it will have defensive qualities should the market turn down, something the current generation of investors have almost forgotten about.

The minimum investment is £500; but above £1,000 you qualify for the initial launch 1 per cent bonus.

Eric Short

PERFORMANCE

Year	Pedigree stocks %	All Share Index %
1981	+ 29	+ 7
1982	+ 49	+ 22
1983	+ 14	+ 23
1984	+ 18	+ 26
1985	+ 10	+ 15
1981-85	+186	+135

Cruft's Reserve Champion bulldog, Tygarth Jacob of Kelloe, who helped to launch the Pedigree Growth Trust this week.

Health Care feels poorly . . .

"I INVESTED £5,000 in that company and what can I do?" wailed a woebegone shareholder in Care Homes. "The company does not answer the telephone. I cannot find out whether it is still in business. I am not even sure whether I will qualify for tax relief."

Care Homes is the latest in a long line of business expansion scheme companies to have fallen on lean times. And it is certain not to be the last.

Early in March, Care Homes unveiled the largest business expansion scheme of the 1985-86 taxation year by asking investors for £10m in order to establish a chain of luxury nursing homes. The issue raised just £1.5m, well short of Care Homes' ambitious target but enough to close the issue and to buy a country house from which to create the first nursing home.

On August 1 receivers took possession of that home. Thus Care Homes is bereft of its principal asset and sole means of setting up in business. On the same day receivers were called in to the Lifecare Group, the publicly quoted nursing home and property company which was to have managed Care Homes' business.

Care Homes itself is not in receivership. Given that its only nursing home is in the hands of the receivers, however, it is technically unable to trade and its shareholders may therefore be unable to claim tax relief on their investment.

So what can those shareholders do? The answer is — nothing.

The crux of the problem for investors is that the business expansion scheme is an entirely unregulated form of investment. The Government structured the scheme in 1983, as a way of encouraging individuals to invest in venture capital, and revises it regularly. A Government department, the Inland Revenue, vets each scheme prospectus and issues certificates, thereby enabling shareholders to claim their tax relief.

But the Inland Revenue's role is restricted to ensuring that companies fall within the ambit of the scheme. Thus it checks technical details such as whether the company is publicly quoted and the size of its asset base. It does not pass judgment on whether the company is likely to be a profitable business concern.

Once the certificates have been awarded by the Inland Revenue its responsibility is restricted to ensuring that the companies do not change their structure in such a way as to exempt them from the scheme, by seeking a listing on the stock market, for example.

The Inland Revenue does not operate as a regulatory body for companies funded by the scheme and will not issue information about the development of individual companies. The sole source of information is the company itself, or perhaps the sponsor of its scheme issue.

In the case of Care Homes that information is peculiarly difficult to extract. Care Homes is registered at the same address of the Lifecare Group—Park House, Finsbury Circus in London—and that office is now occupied by Lifecare's receivers.

The issue's sponsor, Anglo Dutch, was also registered at Park House, but moved out on July 23, just one week before the Lifecare receivers moved in.

So there is little, if anything the woebegone shareholder can do. Indeed the sorry story of Care Homes, from the investors' viewpoint, reads like a morality tale of prevention being better than cure.

The single most important thing a prospective scheme investor must do before buying shares in a company is to read the prospectus. Had the shareholder read the Care Homes prospectus he would have found that it had close links with Lifecare. And had he looked into Lifecare's history he would have discovered that, just a few months before the issue, Lifecare had announced interim results which showed it had run into deep financial problems.

And did the shareholder read the prospectus? "Well," he admitted. "I just flicked through."

. . . as a Cave opens up

CAPITAL Ventures, which sponsored the first-ever business expansion scheme fund, has unveiled a new one —the Cave 1986-87 Fund.

Like many other recently introduced funds Cave will be open-ended, giving its sponsors the flexiblity to take up investment opportunities whenever they arise in the taxation year. The fund will remain open until March 31, the end of the present financial year.

Investors must commit a minimum of £3,000 and multiples of £500 thereafter. In order to encourage early investment, Capital Ventures will waive its management fee until September 30. A fee of 5 per cent will be levied on subscriptions received between October 1 and December 31, and 7 per cent between January 1 and March 31.

Capital Ventures is a Cheltenham-based firm of licensed securities dealers which manages seven funds and 28 direct issues launched under the BES and its predecessor, the business start-up scheme.

Investments in the first Cave Fund include a chain of hairdressers, a tannery, a Merseyside property developer, and a group of health centres, squash clubs and a bingo hall. This year's Cave Fund wil adopt a similar investment policy.

Meanwhile, the sixth Alpha Fund, introduced earlier this summer by Oakland Management Holdings, will waive management fees for a further two weeks. Oakland will impose a fee on September 25, after which 3 per cent will be charged to previous Alpha Fund investors and 5 per cent to new investors.

Alice Rawsthorn

East is best for short term funds

NOT SURPRISINGLY, gold-based unit trusts were among the top performers last month, according to Opal Statistics. The best performer was the M & G Gold and General fund, but there were three other gold funds in the top 25. However, over the longer term—one- or five-year periods—gold funds were among the poorest performers.

Although Japanese funds took a "breather" in August—some, in fact, featured among the worst performers last month—they dominate the one-year performance tables. But over five years European funds are the leaders. Hill Samuel European was the best five-year performer, showing a gain of 491.3 per cent after deducting the initial costs.

Figures from Planned Savings Magazine confirm the trend. In the first eight months of this year Japanese and Far Eastern funds accounted for almost all the 50 leading performers, led by County Japan Growth with a gain of 127.5 per cent on an offer-to-offer basis.

The debate now is whether the spectacular rise in the Japanese funds can be sustained, or whether European funds are about to come back into favour.

There are mixed views on this. Simon Nicholson of John Govett, for example, takes a cautious line on Japan. Only 21 per cent of the Govett International Managed Fund is in Japan at present, compared with 25 per cent in European markets and a further 25.5 per cent in the UK.

Mr Nicholson thinks that Japan still has a lot going for it, but after the huge surge in values in recent months he feels that the market may have reached its best level for the year. He is none too bullish about the yen for next year, either, given the prospect of declining exports and recovering oil prices.

Anne West, managing director of Scimitar's office in Hong Kong, who was in London for the launch of the group's Pacific Basin Trust, is still sticking with 60 to 65 per cent of the fund in Japan, even though she agrees that the Japanese market cannot go on rising at the rate seen so far this year.

She points out that the Tokyo market is feeling the effects of deregulation of institutional investment in Japan: the huge pension funds and unit trusts are moving away from their traditional, very conservative policy of avoiding equities. At the same time a new generation of Japanese is spending money, unlike the immediate post-war generation's tendency to be cautious and save.

Anne West predicts that changes in the Japanese economy, fuelled by domestic instead of export growth, could have a ripple effect on other centres in the Pacific Basin — like Hong Kong, Singapore, South Korea and Taiwan. In future these will have to step up their production to fill the vacuum left by the Japanese.

Richard Carswell of County Bank also sees a radical change taking place. The westernisation of the younger population, he says, is changing Japanese society, funnelling more money into property, land, consumer goods and utilities.

Hargreaves Lansdown are convinced that the Nikkei Dow Jones index, which dropped to a low of 12,891 in January and reached a high of 18,938 in August, will go through the 19,000 mark.

John Edwards

TOP 25 FUNDS OVER PAST YEAR

Offer to bid basis (income reinvested)

Fund name	Price (1/9/86)	Performance since 1/9/85 Change %
County Japan Growth	197.8	+149.5
Sun Life Japan Growth	67.5	+136.8
Mercury Fund Japan	194.8	+134.0
Target Trust Japan	109.5	+133.9
Baring Fund First Europe	115.6	+128.2
Baillie Gifford Japan	202.3	+126.3
Britannia Trust Japan Performance	79.4	+123.5
C. S. Fund Japan	97.1	+119.9
Sentinel Japanese Technology	114.5	+118.4
Henderson Japan	172.2	+118.3
Gartmore Japan	160.8	+117.3
Baillie Gifford Europe	112.6	+116.1
Henderson Japan Special Situations	183.8	+112.7
Grofund Managers Japan	136.0	+112.5
Schroder Tokyo	234.1	+111.8
Dunedin Far East	204.0	+111.0
Baring First Japan	89.8	+111.0
Wardley Japan Growth	134.2	+110.6
Allied Dunbar Japan	118.2	+105.7
Baring Fund Europe	131.2	+105.3
Save and Prosper Japan Growth	101.3	+105.1
Murray Johnstone Murray Europn.	267.5	+104.6
Kleinwort Benson Japanese Growth	102.8	+104.4
Scottish Pacific	68.8	+104.1
Arbuthnot Portfolio Trust—Japan	105.5	+104.1

Source: Opal Statistics.

Down goes a rate

NatWest is wooing new custom. But what are the other options? asks John Edwards.

A CHEAPER interest rate for new borrowers, and payment of all professional fees for home-owners who transfer their existing mortgages, are included in a marketing campaign launched by the National Westminster Bank to win new business.

During the campaign period, which lasts until the end of the year, NatWest is cutting the mortgage rate for all new borrowers by 0.5 per cent from the standard rate of 11 per cent. The cut lasts 12 months. Those who switch their mortgages to NatWest will have the professional fees—legal and surveyors' paid by the bank.

NatWest will be prepared to provide mortgage certificates showing the sum you can borrow. The amount specified on the certificate will be subject to valuation of the house. (NatWest lend up to 90 per cent, and 95 per cent for first time buyers, of the purchase price or valuation, depending which is lower). The certificate will enable you to demonstrate to a vendor the amount you can borrow, so putting you in a stronger position to complete your purchase.

NatWest will lend up to three times your principal income, and will also take a second earner's income into consideration. Earlier this year it scrapped the arrangement fee charged by many lenders, along with its differential rates for endowment or pension mortgages. However, the standard NatWest mortgage rate of 11 per cent is not very competitive with other banks because it is calculated similarly to building societies' rates, on an annual balance instead of on a reducing monthly or daily balance. This means that you are paying interest on the capital sum loaned for a whole year rather than on a reducing amount throughout the year.

The difference means, in effect, that the annual percentage rate (APR) on a standard NatWest home loan is 11.8 compared with, say, 11.5 for a standard home loan from Barclays, which also charges 11 per cent but bases the interest on a reducing daily balance. For example, a £30,000 repayment mortgage over 25 years, the monthly net rate after deduction of basic rate tax relief would work out at £217.70 for NatWest, £213.60 for Barclays.

The 0.5 per cent cut by NatWest (for one year) makes the offer more competitive, but it can hardly please existing NatWest borrowers, now faced with paying a higher rate while new borrowers are given more favourable terms.

There was an outcry in February this year when NatWest scrapped differentials on endowment and pension policies for new borrowers. Then it agreed to give existing borrowers the lower rate too. But the bank now seems prepared again to risk the wrath of its existing borrowers. The offer of a temporary lower rate to new borrowers was part of a marketing exercise to obtain new business and retain NatWest's role as the leading bank supplier of home loans, a spokesman said.

There have been complaints before that some other lenders, notably foreign banks, have used special lower rates to attract new business while leaving their existing borrowers high and dry at the old rate.

Other mortgage market developments include:

● The West of England Building Society has launched a "one-stop" Master Mortgage package offering a 1 per cent discount during the first year. The reduced rate, 10 per cent, is given only on endowment mortgages. The package includes a mortgage certificate, insurance protection, a single inclusive payment and a guarantee for funds for further loans.

● West of England and the Abbey National building societies are both offering to borrowers with mortgages of over £30,000, the option to join the MIRAS (mortgage interest relief at source) scheme. Up to now, borrowers with loans of over £30,000 have had to obtain the tax relief owing to them direct from the Inland Revenue; quite often this has meant months of delay—and no interest paid by the Revenue on the amount owing unless it has been outstanding for over two years.

Under new legislation building societies are due to adopt the new MIRAS arrangements from April 1987, but some societies are anticipating the event, as a benefit to borrowers. High-rate taxpayers still have to apply to the Inland Revenue, however, for the additional relief available.

● Housing Enquiry Service has improved on the scheme, introduced last month for providing a fixed rate mortgage for three years at the competitive rate of 10.25 per cent, with no penalty if the property is sold and the mortgage repaid. To meet fears that the interest rate may fall below 10.25 per cent during the three year period, an option has been introduced to allow borrowers to switch to the normal variable home loan rate, again without penalty.

Once this option is exercised, though, you cannot switch back again to a fixed rate.)

● At present interest rates are hardening, rather than decreasing as expected. Citibank has increased its standard mortgage rate from 10.75 to 10.95 per cent. It has also raised the cost of taking out a "cap" and "collar" mortgage (the offer of a rate fixed between 8.50 to 11 per cent over a five-year period) from one month to three months' premium. The bank said the increase reflected the cost in the money market of buying a "cap."

John Edwards looks at the ads offering high interest

Investors get the hard sell

LOWER INTEREST rates, and the prospect of further cuts to come if Britain follows the US trend, must be worrying investors who have previously relied on deposit accounts with building societies and banks as home for their money.

The cut in rates has meant lower income few people like to reduce their spending even if inflation is also at a lower level. So there is an obvious temptation to look elsewhere. Advertisements offering rates well above the standard base rate of 10 per cent tend to catch the eye. How can it be possible, for example, to pay a guaranteed 14.65 per cent building society return as promised by University Medical General of Bristol?

The answer, in that particular case, is quite simple. Investors only receive the 14.65 per cent return on that proportion of their money (25 per cent) put into the building society. The remaining 75 per cent of your invested money is invested by University Medical General in a Residential Property Fund, just being launched by the Target group.

University Medical General use part of the commission it receives for selling the Property Fund to inflate the return on an Abbey National building society account, up to 14.65 per cent, but for one year only. So the bulk of your investment is not guaranteed at all; it depends on the success or otherwise of the Target Life Residential Property Fund.

Westminster Assurance & Financial Services are running a similar scheme, but make it much plainer in the advertisements that this is a 50/50 guaranteed investment plan, with 10.5 per cent net building society interest for one year.

Under this scheme, 50 per cent of your total investment (minimum £2,000) is put into a fixed interst one year account with the Regency Building Society, the return is boosted to 10.50 per cent by a bonus payment received from commission paid on the Royal Life investment bond bought with the other 50 per cent of your money.

In spite of the commission used to boost the building society interest, a unit allocation of 102 per cent is offered on the Royal Life Investment Portfolio Bond Managed Fund. There is the normal 5 per cent bid/offer spread, and £50 charged for administration costs, but you can withdraw up to 5 per cent of your investment in the bond tax free annually. You can encash all the investment bond money in an emergency, although this would probably entail a substantial loss, particularly in the early stages of your investment. The money in the building society however, is locked away for a year.

M & G adopts a slightly different approach in promoting its new Bonus and Managed Bonds fund. It guarantees to pay 12 per cent net to standard rate taxpayers on a quarter of your total investment, which is cashed in at the end of one year. The example given is that out of £4,000 invested, £1,000 is put into a guaranteed one-year Bonus Bond paying you £1,120 at the end of the year. When the Bonus Bond is cashed in after one year, you may either retain the proceeds or use them to top up the £3,000 which has been already invested in the M & G Managed Bond Fund.

It is pointed out that although the Bonus Bond cannot be cashed for a year, you may cash in the Managed Bond portion at any time. What is not mentioned is that if you cash in the Managed Bond early you are likely to suffer a loss, since you have paid the five per cent initial entry charge plus the annual management fee of 0.75 per cent.

The minimum investment in the M & G scheme is a hefty £4,000. Once again although the guaranteed interest rate on a quarter of your investment may be appealing, you should remember that the main portion (75 per cent) is going into a Managed Bond fund, whose value can go either up or down depending on how successfully it performs from a portfolio of equities, property and fixed interest securities.

The 11.65 net guaranteed monthly advertised by Bentley Haig and Co is marked with an asterisk to indicate that it applies only to men aged 65 who invest £10,000. To receive that return you have to purchase, for £9,957.49, an annuity for nine years and 11 months to provide monthly income. The remaining £42.11 is used as the first monthly premium to purchase a 10-year with-profits endowment policy, aimed at returning your capital. This monthly premium is then deducted from your annuity income (reducing it to £92.23).

To return your capital at the end of 10 years, the Plan assumes the continuation of current annual bonus rates. These have never fallen. The life assurance cover has also been stripped out to reduce the cost.

Bentley Haig also offer other schemes with a 10 per cent net return. Under these your money is put into investment bonds and you are paid a monthly income. With an investment of £10,000, for example, you receive £83.33 a month. Standard rate taxpayers have no tax liability because the fund is deemed to have paid standard rate tax already. In theory you can take your money out at any time, but to do so early, especially in the first year, is likely to be costly, since early encashment of investment bonds is normally unprofitable. (For a start, you lose the 5 per cent initial front load charge and other costs incurred.)

The 11.50 per cent annual net interest offered by Bradford Investments is achieved in a very different way. Under what is called the Standard Terms investment plan you take the place of a building society or bank in lending money to Bradford Investments, which in turn provides you with a mortgage on a specific property it owns, as security. Bradford Investments then uses your money to subsidise a rental/purchase agreement with a buyer of the property.

This is similar to a hire purchase agreement: if the buyer defaults on payments the property reverts to the owner. In any event, payment default will be Bradford Investments' problem, not yours.

The rate of interest remains at the starting level, subject only to changes in tax legislation. It is paid net, so there is no further tax liability for standard rate taxpayers. No charges are made. The only restriction is that you have to give one year's notice of withdrawal.

Minimum investment is £1,000; the maximum is £50,000 per person. Interest is paid annually or half-yearly, and may be paid monthly on investments of £5,000 or over.

Bradford Investments have an alternative scheme which also pays 11.5 per cent net interest. It is called the high yield investment offer. The difference here is that your loan is secured by a Depositors' Protection Fund, as laid down under the 1979 Banking Act. This guarantees that 75 per cent of any deposits, up to a maximum of £10,000, is covered. Bradford Investments is licensed as a deposit-taking institution under the Banking Act. Once again you must give a year's notice of withdrawal. The minimum investment is £500, the maximum £10,000, per person.

On the cards

CREDIT cards and their counterparts are very much in the news. Storehouse, the new holding company of Sir Terence Conran's retail outlets—BHS, Habitat, Heals, the Conran Shop, Mothercare and Richards—has joined forces with Citibank to provide an added value card account and other financial services for Storehouse customers.

The first to benefit from the new link-up will be customers of BHS, Mothercare and Richards which will be launching a Storecard credit card on September 15. The new card, which will replace existing cards issued by the individual companies within the newly formed Storehouse group, will be made available to customers of Habitat and Heal's early in 1987 and at Conran Shop and Savacentre next spring. As well as credit facilities cardholders will be offered additional incentives, including special offers and sale previews. They will also be able to draw up to £50 in cash at BHS stores during store opening hours.

The Storecard will be a combined card, offering a choice of a budget facility with a regular monthly subscription and a credit limit of 24 times this amount, or an option facility with an agreed credit line and a minimum monthly repayment of £5 or 5 per cent, whichever is the greater. At launch the interest rate will be a hefty 2.40 per cent per month (APR 32.90 per cent) or 2.15 per cent (APR 29.0 per cent) for customers paying by direct debit. This compares with the 2.00 per cent a month (APR 26.8 per cent) charged on the recently launched combined Visa and Co-operative store card.

Meanwhile the worldwide Visa cash dispenser network has been expanded to more than 10,000 machines with the opening of an additional 1,342 machines by Barclays Bank and Bank of Scotland. This substantial increase brings the total number of Visa ATM machines in the UK to 1,490. Another 7,700 machines are expected to be added in Europe within the next year and there are plans for adding outlets in the Middle East and North Africa.

Building societies are also making greater use of their ATM outlets. Abbey National has announced that its Abbeylink card is now being offered to investors in its Five Star account who will be able to use it to make deposits, withdrawals and balance enquiries. Until now the Abbeylink facility has only been available to the society's Cheque-Save and ordinary share account holders.

At present the Abbeylink facility is available at over 200 of the society's branches. Abbey National is a member of the Link nationwide ATM network operated by a variety of financial institutions which by the end of this year aims to have 800 outlets in operation by the end of this year, rising to nearly 1,200 by the end of 1987.

Margaret Hughes

• FINANCE & THE FAMILY •

Driven to think

Limiting those who can drive your vehicle cuts insurance costs, says Jeremy Sandelson

AS A RESULT of an increase in claims, the cost of car insurance continues to rise. Some drivers with comprehensive cover in central London are facing premium increases of more than 20 per cent.

Naturally, motorists are looking for ways to reduce their insurance costs and one such way is to agree to limit the number of drivers insured by the policy. Most companies offer discounts, varying between 10 and 20 per cent. if you agree to be the only one behind the wheel.

It is definitely in the companies' interests to offer this discount. If you are the policyholder and have agreed to be the only driver, then the company will have full details of your driving record from the proposal form that you completed when taking out cover.

It will know how long you have held a licence and how many accidents you might have had and also if you have any convictions. So, it can make a more accurate evaluation of the risk that it is insuring.

One reason premiums are high is because many companies allow anyone with the policyholder's permission to drive the car, not knowing it these people are good or bad drivers. But the whole question of who is allowed to drive is an area policyholders often misunderstand.

If you look at your certificate, you will see a section entitled "persons or classes of persons entitled to drive." The widest cover available will state "the policyholder or any person who is driving with the permission of the policyholder."

At the other end of the scale is the most restricted cover which limits driving to "the policyholder only." Somewhere in the middle will be those certificates that allow "named drivers" only.

The crucial point to remember is that the "entitled to drive" part of the certificate relates only to the *car* insured by the policy. But even if you have the widest cover and anyone is allowed to drive your car with your permission, this does not mean you can necessarily rely on the strict wording of the certificate.

If you give the keys of your new Porsche to your 17-year-old son who has just passed his driving test, and he writes it *off*, you might well find that your insurance company will try to dispute liability on the ground that your action was unreasonable. Even though you gave your son permission to drive, it will be said that you did not act prudently.

Similarly, if you lend your car to a friend who turns out to have had five convictions for drunken driving, your company might well want to know what questions you asked him when lending the car. The safest way is to give your company details of the names and driving records of every person who will be driving the car. In this way, you will have made the fullest disclosure.

Anoher area that gives rise to misunderstandings is the meaning on the certificate where it allows "the policyholder to also drive another car belonging to someone else." This does not mean that just because you have comprehensive cover on your Mini, you can borrow a friend's sports car and assume you have the same level of comprehensive insurance covering accidental damage.

In the words of the insurance ombudsmen: "It is a common error to believe that when the policyholder drives on his own insurance, he extends to a borrowed car all the cover afforded by his policy in respect of his own." When your certificate refers to comprehensive cover, it relates to the insured car only. The true position is that when you are driving a borrowed car that might otherwise be uninsured, you are covered only for injuries to third parties—the minimum level of cover.

The entire area is complex. It is worth phoning your broker to check the position before you lend your car to anyone.

Eric Short on the financial strains of private education

School fees can be a shock

MOST PEOPLE who have their children educated privately meet school fees out of family income. Either the decision to educate privately was taken too late to make any advance preparations, or family financial commitments were such that there was no chance for saving.

Nevertheless, there is still a need for some form of planning if only for parents to appreciate the problems that can arise. Last week's article showed just how high school fees are and how rapidly they are increasing.

If parents intend simply to meet the bills as they arise, then they could later find themselves under financial pressure because the fees rise faster than their net income. The problem is compounded exponentially if more than one child is being educated at the same time.

It has to be accepted by many families right from the start that private education is highly expensive and will all too often mean financial sacrifices. Parents should sit down and set out the family income available, and set this against the budget, an exercise that very few families ever undertake. The findings could come as a shock and most parents tend to ignore such implications.

Such an exercise shows firstly whether private education is financially feasible in the first place. A view of the future based on the assumption that fees will rise somewhat faster than net family income, will show whether the child's education can be completed.

Where there is an actual or likely shortfall, what can parents do?

First, as last week's article showed, there is a wide disparity in the fees charged by schools. There is the possibility of trying to find a place in a school with lower fees, though this may not be possible at short notice.

Leading school fees specialists, the Maidenhead-based School Fees Insurance Agency—publishes an annual survey of private schools with details of fees and education levels.

Secondly, parents can inquire from the particular school chosen whether it offers any financial help in the form of scholarships or bursaries and the conditions of eligibility. Next, parents can consider various ways of boosting the family income or cutting back on family expenditure.

Another leading school fee specialist, C. Howard and Partners periodically surveys the attitudes of its clients towards private education, including ways of meeting the fees.

Ways of boosting income include the wife taking a job solely to meet the fees bill; the husband finding a second job; or the family taking in lodgers. Methods of cutting back include foregoing holidays and entertainment, and reducing spending on clothing and cars. It is not unknown for families to "trade down" to a cheaper house, thereby unlocking equity which can be used to meet the fees bill.

Servicemen and employees working overseas often get help from their employers in meeting the cost of educating children privately in the UK. some parents have deliberately made the sacrifice of continuing to work abroad until their children's education has been completed.

The overshadowing fear of parents having children educated privately must be redundancy. The latest recession showed that it was *not* just rank and file employees who were made redundant. Middle and even top managers also found that they did not have job security. But even this threat does not appear to deter parents from seeking private education for their children.

When good faith goes bad

R. B. Cannon discusses examples of problems arising from the new inheritance legislation

THE NEW inheritance tax presents problems very similar to those encountered by the old estate duty, where frequently one had to rely on "good faith." Avoiding inheritance tax means effectively divesting yourself of property seven years before death, or leaving your valuable assets to your spouse. This is not as easy as it seems. Most people like to retain their assets as long as possible, either because they need the income or the use of the assets, such as a house. Two true life examples of the problems that can occur are provided by the cases of Bill and Joe.

When Bill's wife died some years after he had retired, she left by arrangement a half share of their home to the only child Molly—an unmarried daughter just over 40 years old who still lived with her parents.

The house was worth £120,000 and the half share passed to Molly without any tax liability. Bill had a similar estate which he planned to leave to his daughter hopefully completing the avoidance of tax.

But a few months after the death of Bill's wife, Molly unexpectedly announced that she was going to marry a man she had known for many years and they proposed to live with Bill in the new jointly owned house. Bill thought it would be a nice gesture to give Molly the other half share of the house as a wedding gift instead of waiting for his death.

Eight months later Molly told Bill that it was not very convenient for him to live with them as they were always entertaining friends. Instead, they found a sheltered housing society which was able to give Bill a small rented flat. A confused and shattered Bill was unceremoniously bundled out of his home. The tax planning had at least been successful for the daughter.

The problem with Bill's arrangement was that it relied on the good faith of one, apparently vulnerable, person. The case of Joe was different.

Although Joe had always been highly paid and had a large retirement pension, the public school education of his five children had precluded substantial savings. Joe and his wife Margery did however, own a house worth £200,000 and both wished to live in it for the rest of their lives. Joe was keen to leave as large an amount as possible to his five children.

He was aware that if their home passed to the surviving spouse about £50,000 would be lost in tax payable on his death. So, both Joe and his wife made wills providing that their individual half shares would go to their five children equally.

Their children were expected to allow the surviving parent to live in the family house until death when they would receive the other half share. Because the first death would cause some tax to arise, Joe and his wife each gave £5,000 to the children to hold jointly to met the tax liability.

These separate gifts were covered by the annual tax exemptions of £3,000 per person plus £2,000 from the previous year's relief not used.

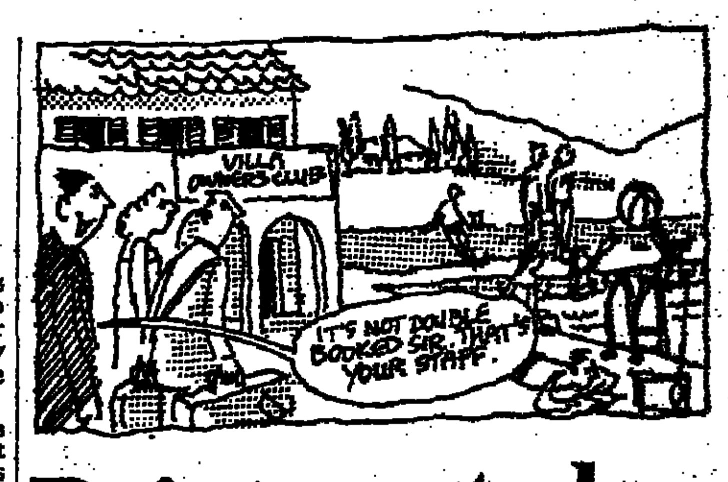
Joe died shortly after the arrangement was completed and his wife survived him by two years, during which time the value of the house increased by 15 per cent. The half share owned by the children was exempted from capital gains tax because they had not taken any rent from their mother. Had the arrangement not been carried out the house valued at £230,000 at the second death would have borne capital transfer tax of £66,900. But under the arrangement made the half valued at £115,000, less 10 per cent for a fractional share, incurred tax of only £11,675—a saving of more than £55,000. Similar savings applied for inheritance tax.

If you are going to rely on "good faith" the following points should be borne in mind.

- The ownership of the house must be clear. A "jointly" owned property passes to the survivor, so that in the case of two owners, on the first death there is no interest to pass on by the deceased. In order to bequeath a share of a commonly owned property it must be held as "tenants in common." Professional advice is therefore essential to get the arrangement correctly drawn up.

- A fraction of a property in isolation usually has a lower value than the fraction of the whole value.

- Good faith comes more easily where large numbers are involved.



Points noted . . .

IT IS, perhaps, poetic justice for the press to complain of being quoted out of context. However, when last December we quoted a sceptical reader as saying Holiday Property Bonds "seem so attractive to be almost beyond belief," we did not expect this comment to be used in publicity material.

The article did, after all, go on to warn that the risks of owning property (or a share in it) in an overseas country should not be underestimated, and that a good deal of trust must be placed in the operator and the trustees in the Isle of Man.

Later, it was discovered that the company's brochure failed to give details of the fact that a hefty 20 per cent, or 20p in the £, is deducted from your initial investment to cover management and administration charges. So, instead of, say £10,000 being put to work on your behalf, only £8,000 is actually used.

Out of that £8,000, only half is invested in a single premium investment bond to finance buying holiday homes and provide a bit of life insurance cover. The other £4,000 is put into income-producing investments, like Eurobonds and government securities (gilts), to pay for the maintenance and upkeep of the properties owned (admittedly, including all service charges such as gas, electricity, water and cleaning by maids).

Villa Owners' Club, which describes itself as managing agent, says it has no problem justifying a 20 per cent initial loading charge to investors. Apart from covering all management costs there are also no redemption or management fees; and 13 per cent is used for promoting the bond, which benefits existing holders by enabling them to broaden the spread of properties owned and holiday slots available.

At the same time, the holiday points awarded are based on the amount you invest—£100 equals 100 points—and not on the amount actually invested in the bond. Under the scheme, your investment buys you an equivalent amount of points which can be used to take free holidays in any of the club's 80 properties in England, Scotland, Cyprus, Austria, Spain, the Canary Islands and Portugal.

The idea is similar to time-sharing. The cost (in points) of each centre depends on the time of the year, type of accommodation and the location. The lowest, for example, is 800 points for a one-bedroom/one-bathroom apartment in Paphos, Cyprus, for one week early in January. The highest is 10,420 points for a two-bedroom/four-bath chalet in Viehhofen, Austria, at the end of December.

You can take the holiday of your choice, according to the number of bonus points held, for as long as you remain a bond-holder; but the number of points held by existing investors is constantly being revalued in line with the rise in the rental value of the properties held by the club. This provides protection against inflation, while the growth in the underlying investment bond is supposed to provide capital appreciation.

Villa Owners says the scheme can be viewed in two ways. One is as a simple single premium insurance investment bond, with a free dividend (the use of the holiday property). Alternatively, it can be seen primarily as a holiday scheme, superior to normal time-sharing in that there is a much wider choice and no extra charges.

All the assets and investments are held by the trustee, Singer and Friedlander in the Isle of Man, which has to authorise any property purchases. However, an advisory committee, including representatives of bond-holders, recommends areas where it would like properties to be bought.

In the 3½ years of the scheme's existence, the number of bond-holders has grown to more than 2,200 and funds invested have just topped £10m.

John Edwards

• FINANCE & THE FAMILY •

Tax on a garden

We live in an old house with a tiny attached garden and have a "right-of-way" about 30 yards — over a lane, owned by our next door neighbour and a detached garden of about half an acre. We are assured by a surveyor that this detached garden, if sold for development, will attract Capital Gains Tax. It this so? If it is — can it be mitigated at all? I have lived here for 30 years. In that time the detached garden has been fully in use as a "family garden." We have been obliged to consider development of this garden because our next door neighbour, the owner of the lane, is making planning application to develop the adjacent land.

Much depends upon the attitude of your local tax inspector, and it may well be that your surveyor's warning is based upon personal knowledge of his or her attitude in similar cases. It is essential that you continue to use the land as the family garden at least up to the time of the sale contract, so that on that day it is "land which he has for his own occupation and enjoyment with that residence as its garden or grounds up to the permitted areas," as required by section 101(1)(b) of the Capital Gains Tax Act 1979.

Storm damage

I submitted a claim for storm damage to a section of flat roof and the cost of this will be £200/£300.

The insurance company have rejected the claim as follows —"With regard to the flat roof, we note that this item was seventeen years old. As these roofs only have a limited life span usually of approximately fifteen years, it would appear that this item was in need of replacement anyway and we therefore regret that we are unable to assist you with this part of the claim."

This does seem to be somewhat of an arbitrary disclaimer and I can see nothing in the policy to substantiate this ruling. Also the company did not seek to inspect the damage to ascertain the cause of the damage.

Unless the policy expressly limits claims in respect of flat roofs to a stated lifespan the rejection of your claim on that account is inappropriate. You should persist in your claim: take it up at board level with the insurers before taking more drastic action.

Bank charges

Over a period of years my bank has held on my behalf oversea's share certificates in marking names. A charge was made for collecting dividends but otherwise the putting-in, taking out and actual holding of these securities had been free.

In February, however, a charge of £14.37 was made for the deposit of a security and in April a similar charge for having a security sent to my stockbroker.

No scale of charges has ever been circulated and no warning given that such charges were to be made. If they had they would not have been incurred as I could have left the security with the stockbroker or withdrawn the securities and changed to a bank where the service is substantially less expensive.

I have objected but the branch manager is standing firm and there is the threat if I transfer the securities to another bank there will be a charge of £14.37 for each security. What action can I take?

We think that the bank is not entitled to impose a charge unilaterally where it has been accustomed to providing the service for you without charge. You should have been given notice of the intention to make a charge in time for you to make other arrangements if you do not wish to pay the new charge. Take the matter up with the bank's head office. If you get no satisfaction you can refer the matter to the banking services ombudsman.

Trust busting

My father left property in trust for my brother and myself, my mother to have use of income therefrom for her lifetime. The trust is administered by a bank. The property and land have since been sold and now only money is held by the trust. My mother, aged 90, has lived with me for the past 6½ years and no longer needs the small additional income provided by the trust.

My brother, my mother and I are all agreed that we should like the trust to be wound up now, particularly since my brother is in very straitened circumstances.

Is it possible to break the trust? If so, how do we proceed? Assuming it to be possible, what would be the probable cost to us?

You cannot break the trust without the consent of your mother; and, in view of her age she should receive separate, independent, legal advice. You would be wise to consult a solicitor yourselves. If the trust is capable of being terminated out of court the cost need not be very great—your solicitor will give you an estimate of likely cost, once he has ascertained exactly what needs to be done.

Cleaning costs

For a number of years, I have engaged in small-scale "bond-washing" using government stock on the national savings register. In line with the FT's own recent change in practice, the national savings documents have ceased to show the market price of stock bought and sold. They now show the "clean" price and gross accrued interest as a separate item.

Is there any danger that this lack of any reference to market price (and the conspicuous appearance of interest as interest) exposes investors to the risk of an income tax liability on this GAI even though they are below the limit of £5,000 in their holding of stock?

The change in the pricing practice of The Stock Exchange (from February this year, in anticipation of the start of the accrued-income scheme on February 28) does not affect the question of entitlement to the exclusion mentioned under "Sale of gilts" on July 19. Section 75 (1) of the 1985 Act says "Section 73 (2) (a) . . . above . . . does not apply if . . . (b) the transferor is an individual and on no day in the year of assessment in which the interest period ends or the previous year of assessment the nominal value of securities held by him exceeded £5,000. . . ."

Double trouble

My motorbike was vandalised just before Christmas 1985. Then, before I was able to make a claim to the insurance company, it was stolen on January 6 1986 and has not been recovered.

I then put in a claim to the Insurance company for the loss, reporting the damage done (before Christmas) at the same time, as I wanted to be completely open and honest.

No compensation was ever paid for the damage done before Christmas.

The Insurance company is penalising me for my honesty with the excess although it never considered or paid for any damage done.

In view of the fact that no compensation was ever paid for the damage done in the first instance, is it entitled to withhold the £50 as well as the £65? (and why the increase?).

The proposals made by the Insurers seems to be wholly inappropriate. Either both excess sums are deductible but both claims should be paid, or the total loss overtakes the damage claim and only one excess is payable. The latter is the more appropriate formulation. You should require the Insurers to demonstrate to your satisfaction that they are entitled to deduct £65 rather than £50 as the excess on the later claim; and offer to agree one excess deductible from the total loss claim. If you do not get satisfaction you may wish to refer the matter to the Insurance ombudsman.

Delayed action

A year ago, my mother's solicitor was instructed jointly by my mother and myself (as trustees of my late father's estate) to prepare an inheritance plan for CTT mitigation. We have both chased him up on numerous occasions during the summer and autumn and in the run up to the last budget and he was always about to deal with it.

I think he has been extremely negligent and is likely to have incurred a significant potential [illegible] heirs.

He is a nice chap, a close friend of the family, and most importantly an honest adviser to my mother. Is there any likelihood of a claim against him standing after my mother's death when the size of the [illegible] and is there any prudent action that the potential beneficiaries should take now to preserve any rights to claim later?

The most important thing is to ensure that a plan is produced and acted on right away. It is preferable to instruct other solicitors to do this in order to ensure that no conflict of interest arises. There is authority (in a case called Ross v Caunters) for a claim by a disappointed beneficiary—but it is uncertain where the limits of liability may lie in the case of a claimant who is not himself the client of the defendant firm of solicitors. One response a defendant is bound to make is that action should have been taken to mitigate the loss—hence he need to ensure that a salvage operation is undertaken at once.

Friendly letter

I rent a piece of land which I would like to sub let to a friend. Is there any way that this can be done, allowing me to get it back again if I so wish. I realise that I would have to allow him time to get his crop. He said that he would sign to say that he would leave the land at a year's notice. Would this be sufficient or binding in law?

If the letting is made for less than a year (eg. 360 days) and is for the purpose only of grazing or mowing, you can achieve your object. Each successive letting must also be for a period of less than a year and for the same purposes; so that you can let, say, from September 1 for 360 days, with a fresh 360 days' letting on the following September 1.

No legal responsibility can be accepted by the Financial Times for the answers given in these columns. All inquiries will be answered by post as soon as possible.

CHESS

YOUNG PLAYERS took major honours last week at Lloyds Bank's 10th masters international, staged at the Great Eastern Hotel, London, with a record entry of 188.

Simen Agdestein of Norway, 19, the world's youngest grandmaster, won the £1,500 first prize with 8 out of 9; while Julian Hodgson, 23, finished runner-up half a point behind, and qualified for the GM norm. Hodgson, who narrowly missed GM results at Lloyds Bank 1985 and Wijk 1986, has a FIDE rating of 2500. (He is at last fulfilling his junior promise; at one time he was reckoned better than Nigel Short.)

Lloyds Bank is unique on the international chess calendar in that its principal raison d'être is to give a large number of British juniors a chance of high-class experience. This time nearly 50 competitors were university students, school boys and girls awarded Lloyds Bank scholarship or exhibition places to take on the formidable opposition of six GMs and 29 IMs.

A feature at Lloyds which proved well justified for Short, Hodgson and many others, now IMs, is that "juniors" are included in their mid-teens or even younger, at an age when even the Russians would consider master chess inappropriate for their best talent.

Michael Adams, the Truro 14-year-old, followed his IM norm in the British championship with another at Lloyds; he has emereged as a player with grand-master or even world title potential.

Another new name of remarkable promise is 12-year-old Matthew Sadler of Chatham. He drew his final four games, all against IMs, missed the IM norm by only half a point and became the youngest ever to achieve a 2400 tournament performance rating. Where Adams's chess is full of tactical ideas à la Kasparov, Sadler is a mini-Karpov whose games are already ultra-correct and positional; he is notably difficult to defeat.

Against one of his IM opponents Sadler, in an inferior position, gave up his queen for rook and knight at move 35, conducted a long rearguard action, and finally at move 106 reached a rare theoretical draw of king, rook and pawn against king, queen and pawn.

An American brought off one of the best finishes of the tournament:

White: J. Bonin (US). Black: R. Haque (Bangladesh).

Old Indian Defence (Lloyds Bank 1986).

1 P-Q4, N-KB3; 2 P-QB4, P-Q3; 3 N-QB3, P-K4; 4 N-B3, PxP; 5 NxP, B-K2; 6 P-KN3, B-Q2.

Black's 4th and 6th moves are passive, conceding White the initiative and a strong centre. Better is QN-Q2 at either turn.

7 B-N2, N-B3; 8 P-N3, Q-B1; 9 P-KR3, 0-0; 10 B-N2, R-K1; 11 P-KN4!

The usual plan for such positions is N-B2-K3-Q5 with a later P-K4 and P-KB4 to exploit Black's cramped pieces; but here Black's development has been so slow that a direct king's side attack is possible.

11 . . . NxN; 12 QxN, P-B4; 13 Q-Q2, B-B3; 14 R-KN1, BxB; 15 RxB, Q-B3; 16 P-B3, KR-Q1; 17 P-N5, N-K1; 18 N-Q5, B-B1; 19 0-0-0, P-N4; 20 R-N4, PxP; 21 R-R4!

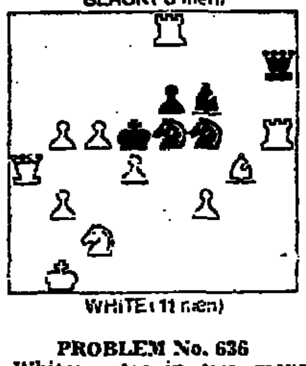
Again more forcing than the routine 21 PxP. White will meet 21 . . . PxP by 22 Q-Q3, P-N3; 23 Q-K4, QR-B1; 24 QxN! RxQ; 25 N-B6 ch and mate.

21 . . . Q-N2; 22 Q-B2, P-N3; 23 Q-K4, R-Q2; 24 RxP!

Here if 24 QxN, QxN! 25 QxR? QxP ch and QxR, but after the rook sacrifice 24 . . . KxR; 25 Q-R4 ch mates.

24 . . . P-B4; 25 QxN! Resigns.

BLACK (6 men)



WHITE (11 men)

PROBLEM No. 636

White mates in two moves against any defence (by L. I. Gulchev).

Solution Page XV

Leonard Barden

BRIDGE

BOTH MY hands today come from duplicate pairs, and are concerned with partnership discipline. Here I was sitting South with one of my favourite partners:

N
♠ A 4
♡ A K J 5 4 3
◇ 3 2
♣ 8 4 2

W
♠ 10 8 3
♡ Q 10 8 6 2
◇ —
♣ K Q 9 6 3

E
♠ Q J 7 6
♡ 7
◇ K Q 7 5 4
♣ J 10 7

S
♠ K 9 5 2
♡ 9
◇ A J 10 9 8 6
♣ A 5

West dealt with both sides vulnerable, and North opened the bidding with one heart. I replied with two diamonds, North rebid two hearts, and I said two spades—a responder's reverse, which is forcing.

Now North gave primary preference with three diamonds — great self-discipline, the hallmark of good partnership. I passed: possibly too disciplined; perhaps I should have bid four diamonds; but North would not have raised. Still, we had avoided the trap of three no trumps — which has no chance after a club lead — and North would have a rough ride in hearts.

The play in diamonds is most intriguing. West led the club king to my ace, I cashed ace and king of spades, and ruffed a third spade on the table.

I cashed the heart ace, and led the king, intending to discard my losing club, but East ruffed, and I overruffed. I led another spade, and when West failed to ruff in front of dummy the whole position was revealed. The spade was ruffed with dummy's last trump, and another heart was ruffed in hand. The trump endplay was marked. I cut adrift with a club, leaving myself with A J 10 9 of trumps. I ruffed the next lead, threw East in with my diamond knave, and claimed the last two tricks. Plus 150 received a generous share of the match points — many North-South pairs got into deep trouble.

Now for the other side of the picture:

N
♠ 10 9 7
♡ 9 8 6 3
◇ 8 7 4
♣ 10 4 3

W
♠ J 8
♡ A J 10 2
◇ K 9 6
♣ K 8 6 5

E
♠ K Q 6 4 3
♡ K Q 5 4
◇ A 10 3 2
♣ —

S
♠ A 5 2
♡ 7
◇ Q J 5
♣ A Q J 9 7 2

With both sides vulnerable, my partner in the East seat dealt and bid one spade. South overcalled with two clubs, I doubled, and all passed.

I led the knave of spades, the ace won, and the declarer played his ace of clubs, followed by the two. I was shocked when my partner showed up with no clubs. Taking my king, I returned the eight of spades, and East cashed queen and king. On the king I dropped my nine of diamonds, my partner underled the ace, I scored my king, and returned the six. East then led another diamond for me to ruff, and cash the ace of hearts.

At least we had had defended well, defeating the contract by two tricks. But plus 500 was not going to receive many match points, as four hearts with an overtrick would score 650. In fact six hearts might be made.

My partner, whose name is known to you all, berated me for making a bad double. I pointed out that bridge is a partnership game, and that to leave such a double in with a void had lost favour in the 1930s, and that a take-out into two hearts was mandatory.

And my partner knew I was right!

E. P. C. Cotter

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• PROPERTY •

John Brennan looks at rented apartments in stately homes

The suite life out of town

LIVING IN a fully staffed country house is a pleasure that few can afford, unless they happen to be residents of one of the 10 properties of the Country Houses Association. Then, the costs for an unfurnished private apartment or suite of rooms range from £10,000 to £35,000 for a returnable loan, plus between £100 and £150 a week for every other living expense, from heat and light to three full meals a day and all the benefits of sharing what are often grand public rooms and extensive grounds.

The association dates from the mid-1950s, when the late Rear Admiral Bernard Greathed wrote to the papers about the evident stupidity of having both a housing shortage and a stock of fast decaying country houses. In a matter of months the admiral had gathered about him a group of enthusiasts committed to saving houses of historic importance and turning them back into homes by creating apartments to let within them.

Thirty years on, the association has 280 apartments in properties like the Albury Park near Guildford, Surrey. Now a part Tudor, part Victorian pile, it has been the site of an important house since before its record in Domesday Book.

Aynhoe Park near Banbury, Oxfordshire, is another of the properties saved as a genuine home for association residents. the "new" house there dates from 1680. Gosfield Hall by Halstead, Essex, is another. It can fairly be claimed that Queen Elizabeth I really did stop for the night there on one of her regular (and financially crippling) visits to grand country homes.

Each of the 10 big country estates ranks as one of Britain's visitable historic houses or gardens. Association members (£5 a year) are encouraged to do just that on open days. But their real appeal is that they have not been allowed to become heritage fossils; they are home now to a total of 330 residents.

Roy Bratby, the association's chief executive, explains that would-be residents are encouraged to look at a number of the houses, to see which, if any of the available apartments might appeal to them. Vetting is a two way process.

"One has to be quite honest about it, this is a specifically upmarket exercise," he says. "People are quietly vetted for their suitability."

No punk rock bands then—not that Bratby has any particular aversion to spiky hair, merely that existing residents might not take too kindly to having their peace shattered. Age is no barrier, although Bratby sets the effective range fairly clearly by explaining that, "our youngest resident is 52 and the oldest is 95."

The common denominator is that residents are active; a medical certificate is called for before the paperwork goes ahead. Once a suitable apartment has been agreed upon, new residents make a loan to the association. The amount loaned depends on the accommodation. As Bratby says: "£10,000 to around £35,000 at the top end for a grand suite on the first floor overlooking gardens." The loan is repayable when the resident decides to move on, but a 3 per cent charge is deducted for each year the accommodation has been held.

The next cost is furnishing, but as most new residents are moving from their own home, that is rarely a problem. In fact, residents often help to provide appropriately impressive furniture and pictures for drawing rooms and public areas of the houses as well.

Then there are the monthly service charges which, since they really do cover literally everything that a full country house staff can provide, including all meals, looks a positive bargain at the £100 to £150 a week quoted by Mr Bratby.

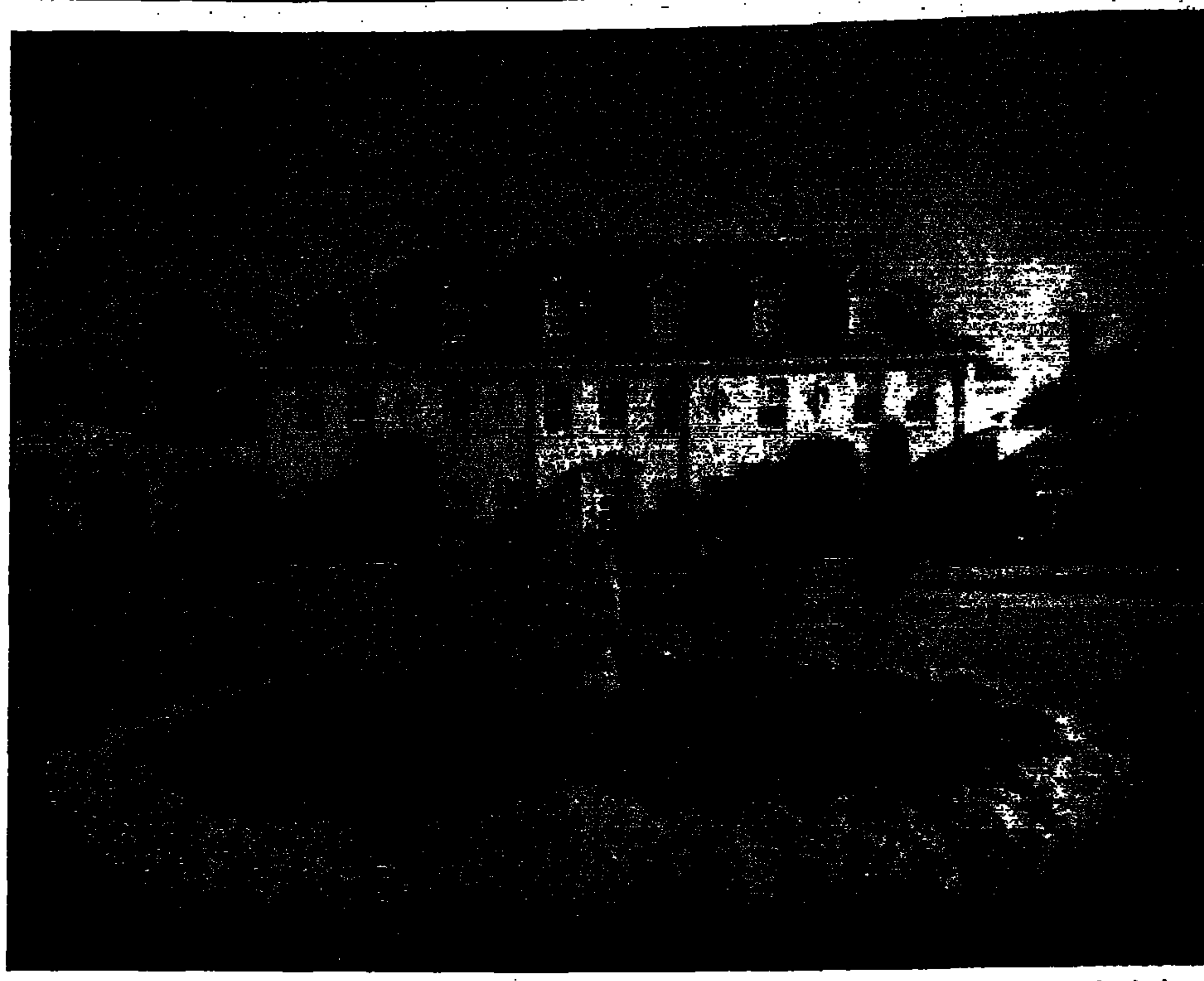
"We have been able to keep costs at or below inflation for the past four years, and this year the likely increase in charges is around 4 to 4½ per cent."

Resident administrators keep track of the—mainly part-time—staff of the houses, and make sure that the properties are maintained and, where possible, that the accommodation is improved over the years.

There is a six month notice period for either the resident or the association. But in practice, as Bratby says, "It is only in extreme cases, where someone has become mentally unsound for instance, that we have ever considered giving a resident notice." As for the residents, the average time in an association house is much the same as the average in any private home, between seven and eight years, "and we have had one lady with us now for 26 years."

The association adds to its accommodation when it can, although country house prices are not what they were in Admiral Greathed's day. There are, says Bratby, between 10 and 25 apartments or suites available or due to become available on his books at any one time. And he is always happy to talk to anyone who might enjoy the prospect of country house living without the costs of having to buy and maintain a full scale one themselves.

The Association is based at 41 Kingsway, London WC2B 6UB, Tel: 01-836 1624.



THE ASHLEY Heath and Warren Hill stud farms need no introduction to followers of the turf. Captain Marcus Lemos brought Peebles, the winner of the 1985 Breeders Cup Turf Race in New York, from his stables there last year, when the horse also carried off the Champion Stakes just down the road at Newmarket.

Now, the combined stud farms and Warren Hill House (above), the 15-bedroom country house close by the Jockey Club gallops, a mile and a half east of Newmarket, is up for sale.

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Homeowners will keep their big tax perk, says **John Brennan**

Relief to stay

A CHORUS of "Yes please" is the likely reaction from home-owners to recent warnings from the Conservative Party's Bow Group that raising the theshold for mortgage interest relief from £30,000 to £35,000 would be seen as overt "vote buying."

In practice, of course, failure to raise the threshold is already having the effect of letting relief wither away. The latest figures from the Building Societies Association show that 27 per cent of buyers are now borrowing more than £30,000. This summer will see the average advance on new dwellings top the £30,000 figure for the first time. The average for all house purchases is expected to rise to over £28,750.

This increase in the number of home buyers taking full advantage of the tax relief—whether intentionally or perforce—means that it now "costs" the Treasury £4,750m a year. So it is hardly surprising, as the Bow Group's newspaper Crossbow points out, successive Treasury ministers have argued that the relief should be either scrapped, or allowed to be *eaten up by inflation.*

The case against tax relief—that it only benefits existing owners, arguably helps to price houses out of reach of first-time buyers and prevents Treasury ministers from spending that *£4,750m on things closer to their* hearts—has some powerful advocates. However, few are sufficiently enthusiastic to test their theories at the polls.

All the actual and would-be Treasury ministers in Britain seem convinced that they could find a better home for the money not raised by retaining mortgage tax relief.

Labour Party conferences include regular calls for an end to this apparant blight on the housing market, although scrapping *the relief is such a vote*-losing idea that its abolition is not part of the party's official policy.

Within the SDP-Liberal Alliance David Owen has equally strong views about the tax relief system. He has argued that ending the higher rate tax relief alone would release enough cash (or rather, *raise* sufficient extra cash) to help revive the rented sector. And even HRH the Duke of Edinburgh came down against this private homeowners' perk in his report on housing in Britain.

The Building* Societies Association remains firmly on the fence about the whole subject. So, too, are most building society chiefs. They do, however, tend to argue that the housing market would not be seriously affected, and owner-occupation would remain a target for most people, even if interest relief was gradually phased out.

Vote loss stands as the princi*pal argument against the aboli*tion of relief. A total of 8.4m households would be directly out of pocket by any decision to end the concession. They are the 65 per cent of the 14m owner-occupied homes in Britain where there is still an outstanding home loan of some size.

That has been a sufficiently large section of the electorate to keep the debate theoretical in Britain. In the United States, where an ending of the fully tax deductable treatment of all home purchase interest charges was considered in the discussions leading to the current mass of tax reforms now wending their way through Congress, the votes argument has also won the day.

Home buying tax deductability is one of the prime areas untouched by the US tax reformers, although that relief now represents $25,000m worth of tax concessions each year.

In the rest of the world, tax relief for home buying is less common. The Danes have the benefit of tax concessions and low interest loans for home buying, and in Finland the whole business of ownership is heavily subsidised and loan costs tax deductable.

The Building Societies Association reports limited tax relief arrangements for first-time buyers for the first five years of their loan in New Zealand and a similar first-timers' scheme in Australia.

Canadian buyers do so without any help from their tax authorities. The Swedes get 50 per cent of their interest rates offset against their tax bills, and there are a number of complex arrangements for tax relief and concessionary loan rates for lower income buyers in West Germany, France, Spain and Italy. But there is no consistent pattern in the international treatment of home loan interest. British buyers, and their US counterparts, look like keeping *one election threat ahead of the* game for a while yet.

Country service

PRUDENTIAL Property services is to set up a country house department.

Tony Eakins, the development director, confirms that an agents' committee is discreetly working out details of a country house service using the Pru's recent acquisition, Chestertons, as the central London link in the Pru's national chain.

"I can say that it does make very good sense, now that we have a London presence in Chestertons, to create something like a country homes set-up," he says.

He does not think that there will be any need to buy one of the *established country house* agencies. "There is plenty of evidence that people are drawn to the agencies in their locality that show efficiency and effort, and I don't think that you necessarily have to present a 'blue chip' image to be successful in that market," he adds.

As inter-office co-operation like that begins to develop within the growing number of national estate agency chains, life outside the fold is likely to become that much tougher *for* the independents.

Cyril Stein . . . the cheques are rolling in

Ladbroke looks up

Move to top end of market is paying off, reports John Brennan

Cyril Stein, chairman and managing director of the Ladbroke Group, has reason to be pleased with his decision to move into residential developments at the top end of the central London market. He reports "a marked improvement in sales of luxury apartments." And he has the cheques in to back that up, with an American family paying £525,000 for a three-bedroom apartment at the group's 10 Hyde Park Square development *and sales of units for £400,000* and £350,000 at 100 Piccadilly, Ladbroke's mixed commercial and residential scheme opposite Green Park.

There are only three apartments left unsold in 100 Piccadilly: a three-bedroom one at *£575,000 and two furnished two*-bed show flats at £325,000 apiece.

The Hyde Park Square sale also leaves just three of the 13 units there on the market, again through Chestertons (262 5060), jointly here with Hirschfields. One ground floor flat is left at £585,000 and there are a couple of unsold penthouses with roof gardens, one for £595,000 and the other—the show flat furnished by David Hicks—for £695,000.

Just around the corner from the Square, still within the Church-owned Hyde Park Estates at 50-51 Gloucester Square, W2, the scaffolding still masks another Ladbroke project. This is a five-apartment block likely to be on the market towards the end of the year at between £435,000 and £1m for a penthouse. More immediately, there are the 15 apartments on top of the reconstructed Debenham & Freebody store on Wigmore and Welbeck Streets, W1.

Having let the 65,000 sq feet of offices there to the capital markets side of Banque Pari Bas for a West End record £30.50 a sq ft, the Ladbroke Apartments themselves come on to the market next month for between £155,000 *for a one-bedroom studio to* £695,000 for one of two duplex penthouses. Keith Cardale Groves (01-629 6604) is acting for Ladbroke on that scheme.

IT IS probably half a century since anyone talked of Blackheath in terms of ease of access to London Dockland. But with so much City overspill development planned in the Docks in the next few years, it is no longer an odd way of looking at the Blackheath-Greenwich area.

John Vaughan of Hamptons makes the point in talking about a rare £1.8m house for sale within Blackheath Park, SE3. It is rare because asking prices for period family houses in the park are usually nearer the £500,000 mark these days. What sets this house apart is that it retains its original threequarter-acre garden—and the present owner effectively rebuilt the four-bedroom house, with one swimming pool inside, one outside, a jacuzzi and sauna, and Bang & Olufsen stereo in every room. "This is likely to be of interest to someone who is looking for an individual property, rather than someone specifically looking in Blackheath," says Vaughan. "If it was in Hampstead or Holland Park the asking price would be nearer £4m."

Hamptons (01-493 8222) and Cluttons (01-222 7080) are joint sole agents for the sale of the house.

Simply the last straw

CHRISTOPHER White of the National Society of Master Thatchers represents 80 fellow-professional thatchers around the country. He warns that with 750 to 800 people now offering thatch services, "a good half of them wouldn't be eligible for membership of the society. There is a big semi-skilled element in the business these days."

The Society, members of which are often members of their local Association of Master Thatchers also provides a central service for anyone who needs to make contact with an experienced thatcher in a particular area, whether to repair or replace a roof, or to carry out a full roof survey if they are interested in buying a property under thatch. Contact White at High Wycombe (0494) 4431980, and he can pass on the names of experts in your area.

London Property

Rentals

Overseas Property

• TRAVEL • MOTORING •

Annalena McAfee visits the island home of Odysseus

Ithacan antiquity in aspic

Taverna by the water's edge at the little harbour of Frikes, Ithaka

IT WAS the goddess Pallas Athene who gave us, via Homer, the first recorded description of the island: "It is rugged and unfit for driving horses, yet narrow though it may be it is very far from poor. It grows abundant corn and wine in plenty and has excellent pasturage."

The beloved home of one of literature's most beleaguered travellers, Ithaca has changed little physically since The Odyssey was first compiled in about 700 BC. Rugged it remains, but today a few taxis, the occasional bus and the ubiquitous scooters manage to negotiate their way round giddying bends and up beetling crags.

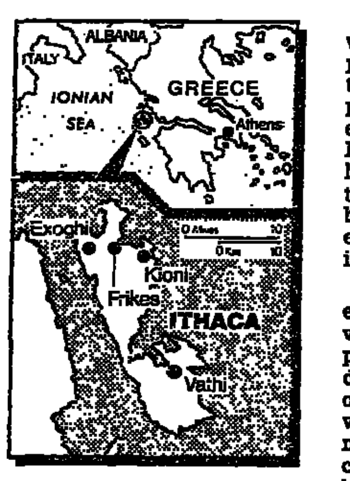
The corn, however, has disappeared from the terraced hillside fields, and many vines are now untended. The earthquake of 1953 destroyed homes, schools and churches on the island and sent Ithakians fleeing for the mainland. From there many dispersed to America, Australia and South Africa.

The mountain village of Exoghi, once home to 3,500 and a centre for local winemaking, is now inhabited by 32 people. There are some reconstructed or newly built houses used as holiday homes for Athens-based Ithakians. But the peeling, shuttered houses of the more far-flung exiles still stand empty, screened by lemon groves and rosy-tipped pistachio trees. All it needs is tumbleweed blowing up the bougainvillaea-fringed streets to make it a perfect Hellenic ghost town under a brilliant sky.

That sense of time standing still is best exemplified by the Fountain Hotel, a fading, long-deserted Edwardian building spectacularly overlooking the Ionian Sea. Outside there are pomegranate trees, hummocks of miniature pink roses, and a canopied grape vine. Inside (glimpsed through a window) there is a sombre mirrored dresser, sepia family photographs, and a table draped in crisp lace as if in preparation for lunch.

The only element that breaks the spell is the tiny graffito on the balcony which expresses loyalty to Duran Duran. Everyone who sees the hotel wants to buy it, but wise locals point to the earthquake-induced cracks. It would be cheaper to knock it down and start again.

For the visitor, the peace and the sense of antiquity in aspic is a bonus; for the islanders left on Ithaca—4,000 as opposed to the pre-earthquake 14,000—it is a problem. Once self-sufficient, they now depend on shipments from the larger neighbouring island of Cephalonia for supplies. The population profile is ageing as young people go away to study or find work and older exiles return to their homeland. Tourism is the only growth industry, but the Ithakians are keenly aware of the dangers of capitulating completely to its demands.



They need not worry too much: despite the presence of one package company at the hotel in the little harbour of Frikes, Ithaca's marvellous, mountainous landscape will ensure that it can never be a mass beach resort. A small sailing club operates discreetly from its own beach near Frikes, but the island's best beaches—perfect pebble-covered coves—are reached by hired boat or by long walks. The night-life is that offered by the tavernas or, at the height of the season, by an al fresco disco in an olive grove a little way out of Frikes.

In Kioni, a gloriously pretty village studding hills which plunge to a natural harbour, the two tavernas presented a problem for those in search of evening entertainment and food. Both were equally good (points lost to one by its stuffed tomatoes were amply recovered by the grilled snapper), and equally cheap (about £6 for two including wine).

The proprietors were equally welcoming, and the views of the harbour equally pleasing. Loyalties were divided, so that most people operated a strict rota. The venue for dinner on the last night caused some anguish: could one have the tzatziki and horiatiki in the first taverna, then cross to the second for grilled fish?

Vathi, the capital, is also built around a majestic bay. Although largely destroyed by the earthquake, it has been convincingly reconstructed in the traditional style, and has the bustle of a lively village rather than a town. In the mouth of the harbour is the wooded islet of Lazaretto, where Lord Byron took a daily swim during a visit in 1823.

But it is for Homer and Odysseus that the island is best known. Never mind that some of the geographical and archaeological links with The Odyssey may be tenuous and that Homer himself may never have visited Ithaca. The association is enough to imbue the island with the mystique of a symbol for every traveller's home.

There are two suggested sites of Laertes' Farm, where Odysseus's father is said to have retired, broken, until his son's return; two possible Phorky's Bays, where the sleeping Odysseus was carried ashore after 20 years' wandering; and two Nymphs' Caves where Odysseus hid his Phaeacian Treasures. There is also a Penelope's Pool, where Odysseus's faithful wife bathed, and Heinrich Schlieman believed he had found the site of Odysseus's Palace on the summit above Aetos.

So bound up in mythology and classical literature is the island that when, from the mountain-top Kathara monastery, I saw a distant crescent of beach accessible only by boat, I wasn't surprised to be told by Yianni, our guide, that "this is where Diana stopped to have a swim." The only question was why had Yianni substituted the Roman name for the huntress goddess Artemis? It wasn't until "Charles" was mentioned that I realised he was referring to the penultimate British royal honeymoon rather than to any deity's day trip.

Echoes of Odysseus's story can still be heard today. Some islanders are frustrated that the exile's houses stand empty, waiting for their return. "I have written suggesting they rent them out," says Yianni. "But they say 'No, I don't want to rent it. It's my home.'" Ithaca remains an island to which its exiles dream of returning. It can have that effect on visitors, too.

● TRAVEL DETAILS: Greek Islands Club offers self-catering villas and apartments in Frikes and Kioni from £272 for two weeks including flight to Cephalonia and ferry crossing. The company also runs a sailing club, offering tuition in windsurfing, dinghy and catamaran sailing, near Frikes. Prices start at £307, including flight, accommodation and tuition. Telephone: Walton-on-Thames (0932) 220477.

● USEFUL BOOKS: GROC's Candid Guide to Corfu and the Ionian Islands (Willowbridge, £8.95). Idiosyncratic style but up-to-date and meticulously researched. Cadogan Guide to the Greek Islands by Dana Facaros (£7.95). The Odyssey by Homer, translated by E. V. Rieu (Penguin Classics, £2.95).

Mercedes-Benz 560 SEL . . . low wind resistance and good for 155 mph

New Mercedes offer pricey perfection

Stuart Marshall goes to the test track for a high-speed look at some thoroughbreds

AT WELL over two miles a minute, the scenery passes by very quickly. The fields and brickwork chimneys of Bedfordshire were little more than a blur as the speedometer needle of the Mercedes slowly edged round the dial and settled at 155 mph.

Before anyone suggests that I ought to have been arrested for such mad dog behaviour on the M1—for where else in Bedfordshire could such a speed be attained?—I had better explain. I was not on the highway but at General Motors' Millbrook proving ground, where the 3.2 kilometre banked circuit permits such goings on legally and safely.

Mercedes-Benz (UK), knowing the impossibility of stretching the legs of its latest products anywhere but on the autobahn (and then only with difficulty) had rented Millbrook for a day. At 155 mph indicated, the large and heavy 560 SEL saloon, tilted over at about 20 degrees on the banking, felt as safe as many a lesser car at the legal motorway limit.

The 560 SEL (extended wheelbase saloon) and 560 SEC coupé represent the pinnacle of the Mercedes-Benz pyramid. At £47,225 and £52,185 respectively they are costly enough to invite comparison with the products of Rolls-Royce Motors, whose Bentley Eight (the "cheap" one, aimed at emergent tycoons with a sporting bent) costs a mere £49,497. The silver lady at the end of the bonnet comes dearer, though. The cheapest Rolls-Royce, the Silver Spirit, is £62,964, though mechanically it is much the same as the Bentley.

Like the Rolls-Royce cars, the two big Mercedes have V8 engines. Of 5.6 litres capacity, they are smaller (the R-R engine is a 6.75 litre) but far more powerful.

Rolls-Royce says "sufficient" to anyone indelicate enough to ask how much its veteran V8 develops but an educated guess puts the figure at 200 hp. The turbocharged version in the Bentley Turbo R develops about 300 hp, which is what Mercedes-Benz extracts from its fuel-injected, though naturally aspirated, 5.6 litre.

The German cars tip the scales at 1,810 kilos (the saloon) and 1,750 kilos (the coupe); the lightest Rolls-Royce (the Bentley Eight) weighs 2,250 kilos. It is, therefore, hardly surprising that the big Mercedes have much higher top speeds—156 mph against 120 mph for a Rolls-Royce, 135 mph for the Bentley Turbo R—and are quicker off the mark.

The Mercedes 560s take only 6.8 seconds to leap from a standstill to 62 mph (100 km/h). This leaves a normal Rolls-Royce panting, over three seconds behind, though the Turbo R manages a remarkable 0-60 mph (not 62 mph) time of 6.9 seconds. All this is as academic to the average Rolls-Royce buyer as the fact that the Mercedes 560s use about 30 per cent less petrol. The figures (R-R in brackets) are urban cycle 16.8 mpg (12 mpg), steady 56 mph 26.9 mpg (18.1 mpg) and steady 75 mph 22.2 mpg (16.1 mpg). But it does mean that long journeys in the Medcedes will be interrupted by fewer refuelling stops.

Comparisons of this kind are, however, odious—and not really relevant, because the cars attract different kinds of buyers. Rolls-Royce, which was comprehensively rubbished in the last issue of Tatler is the automotive equivalent of a cabinet maker turning out flawless replicas of Chippendale commodes. Mercedes-Benz, on the other hand, makes cars dripping with advanced engineering and of a quality that serves as an industry benchmark.

If a problem is encountered, Mercedes-Benz throws a lot of high but down-to-earth technology at it until it goes away.

Typical of this approach is a suspension development on the 560s. A hydro-pneumatic system with automatic height adjustment is speed-linked so that the cars snuggle down to a lower ride height on the autobahn. Apart from aiding stability, this also reduces wind resistance which is the main energy waster at higher speeds.

The shock absorbers, too, react to driver requirements. Their normal setting is soft but forceful acceleration switches them to a firmer mode, which is held until the driver eases up again.

A few laps of the Millbrook handling circuit, with its tight curves and adverse cambers, showed that the big Mercedes saloon and coupé were nimble and well-mannered when driven abnormally hard.

For technology, Mercedes is years ahead of the Rolls-Royce, which has still not adopted ABS brakes and makes do with a smooth but inefficient three-speed automatic. The Mercedes 560s naturally have ABS and four-speed automatics along with all the boardroom comforts like air conditioning, programmable electronic seat adjustment, heat absorbing glass, electric window lifts and sunroof, limited slip differential and a top quality radio/cassette player.

What they do not have is the St James's club ambience of the English cars. They are closer in spirit to the smallest Mercedes, the 190, in which I drove nearly 2,000 satisfying miles during the latter part of August. It was the version with a 2.5 litre, 5-cylinder diesel engine, first seen in the mid-sized 250 model. With 90 horsepower instead of the four-cylinder, two-litre diesel's 72 bhp, it feels much livelier and has a maximum of around 110 mph.

I averaged 42.2 mpg on a number of journeys that took me to Wales and Manchester as well as Central London. On motorways I cruised at business motorists' speeds in such silence that my passengers could not believe it was a diesel. Acceleration is adequate rather than sparkling. One would not take on a 1.6 Escort at the lights and expect to win. But does that matter? Not to anyone who understands what diesel motoring is all about.

The 190D 2.5 costs £13,600 against the normal 190D's £12,335, both with power steering included. My test car, with ABS brakes, electric sunroof and window lifts all round, plus a high class, signal-seeking stereo radio/tape player, would have been £16,500.

That sounds a lot of money but I cannot think of a better car for anyone to take into retirement. It is comfortably roomy for two, adequate for four; it has a good boot, is easy to park, covers long distances effortlessly with small car fuel economy and feels as though it would last for ever. Rarely have I returned a test car with more regret.

The past few weeks have been good for diesel car owners. Pump prices have been reflecting the full excise duty differential (currently 14 pence per gallon) for the first time in about two years. I am paying less for it now than I did on holiday in France in June, when my Peugeot 305 GRD amazed me by giving 52 mpg, 54 mpg and 56 mpg on three successive tankfuls of progressively more relaxed driving. At home, it averages 47 mpg. That is still cheap motoring, even when diesel and 4-star are more or less the same price.

Southampton Boat Show

Boats at this year's show will reflect the buoyancy of demand for power and the way competition has driven up sail standards

Weather is the key

IF THERE is one thing for which everyone will be praying at Southampton Boat Show this year it is sunshine. Lots of it. For this season has been an unhappy one for both boat owners and builders, washed out in the spring, and hit by an August that could only encourage a mass exodus to the Mediterranean.

Southampton Boat Show is second only in attendance and size to the Earl's Court extravaganza, which attracts anyone who has a pair of yellow wellies to listen to the taped sound of seagulls and gently breaking waves, watch sparkling promotional videos of the dream life afloat and drool over enticing hardware which they are never likely to own.

The Southampton show is not so big, does not attract so many visitors, and comes at the end of the season when views can be a little jaundiced, rather than in winter when it is essential to look forward with optimism. It has a quality different to the London show and, when the weather is kind, it can be a far more attractive proposition.

It has established its place in the calendar to the extent that all space was fully booked by May, and offers the biggest selection of boats for viewing afloat of any show in Britain. It also attracts the suppliers of ancillary equipment, *sails and* clothes, dinghies and windsurfers, and operators of flotilla holidays, sailing schools and charters.

It will also be the first major boat show at which the new marketing campaign by the Ship and Boat Builders' National Federation will be on public view. Using the slogan Get Afloat, Get a Boat and supported by funds from all sections of the industry it features husband-and-wife broadcasting team Paul Heiney and Libby Purves in an attempt to focus attention on the opportunities for taking up the sport.

Southampton is ideally suited to giving people a chance to try sailing and there will be a special emphasis on that this year.

Some of the more aggressive marketing minds in the industry have been advocating such a campaign for 10 years. But there has always been a reluctance on the part of big producers, which continue with their own campaigns regardless, and the small builders, which are reluctant to see their meagre profits boosting those who can afford parallel promotions of their high-profile, branded products.

There is also a question over why people need to be told of this glamorous activity. After all, Cowes Week is part of the social calendar and attracts the royal family, there has been a top-rating television soap opera with a sailing background, the America's Cup makes it onto the news as well as the sports pages, and the high life has always featured yachts and power boats.

Over the same 10 years that the campaign has been advocated the market has seen constant change. It was predicted that a few major builders would emerge who would sweep away the small yards and specialist builders. It did not happen, though the same predictions are being made today.

There was a time when small family cruisers seemed to be enjoying a wave of popularity and dinghy sales dropped while power boats hit the resistance of crippling increases in fuel costs. Then it was the turn of the windsurfers as high interest rates hit everyone else.

There has been a string of hopefuls who have gone into the market, cut margins to the bone, collapsed and then reappeared in a new guise. It causes damage and resentment and further upsets an already disorderly market.

Now there is a new shape to the market which has seen secondhand boats, particularly in the 30 ft to 40 ft range, enjoy a healthy demand. Sales of new sailboats are looking grim, the windsurfer market has peaked, some dinghies are making a comeback and the most lively section of the market is power boats.

There has also been a strengthening market for sophisticated electronic aids, suitable for power boats and sailing yachts with companies like Brookes and Gatehouse still at *the forefront. Specialist com*panies are developing software packages for onboard computers. Peter Scholfield's navigation aid, for instance, will tell when you have reached a pre-programmed point (perhaps a racing buoy).

Computers are also being adopted in sail making, linked direct to laser cutters and providing data banks for cross-comparisons of performance.

Mr Bryan Axford, managing director of Hood Sails: "Although the British marine industry is trading in a very flat ecoonmic situation, a combination of specialisation in big *boats and multihulls*, plus continuing major exports, have led to a satisfactory year."

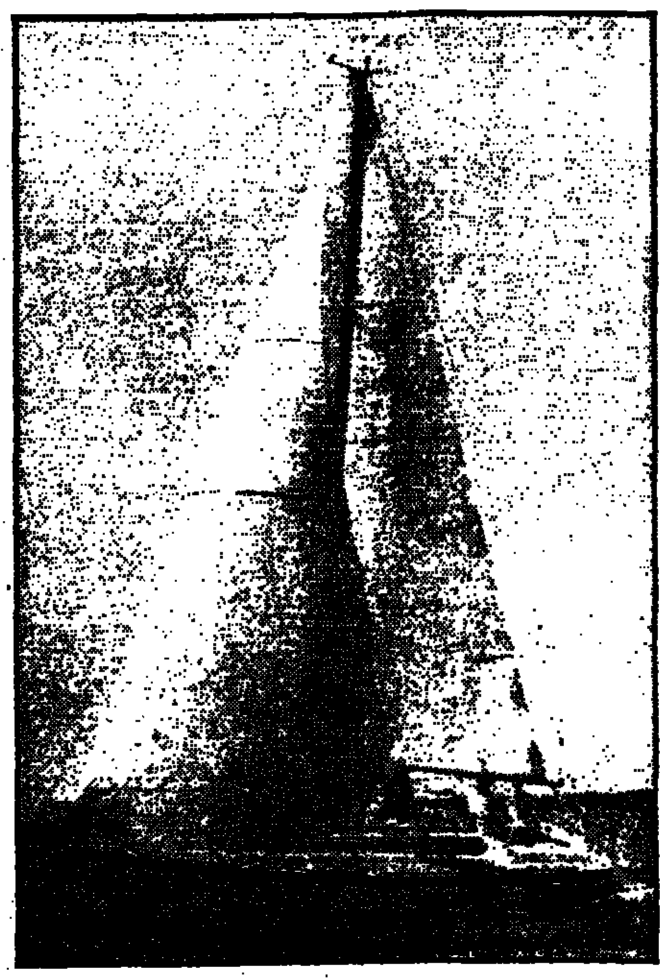
And to add a dash of colour, yacht fashions are taking over the lead in the wider world once held by tennis and then athletics.

In the industry the same names keep coming to the top. Westerly and Moody lead in home-produced yachts with Sadler, Oyster, Sigma and Hunter occupying the second tier. Fairline, Sunseeker, Princess and Broom are the power boat leaders. British manufacturers of power boats are surging ahead, in a highly competitive market, while sailboat counterparts are under heavy pressure from abroad, particularly from the French.

Imports took about 50 per cent of the 1985 sailboat market of £33m, so UK producers have had to turn to exports themselves, particularly to the US. Profit margins were under pressure as dealers and manufacturers offered hefty discounts.

The competition has driven up standards at a time when space and power specifications were already rising.

So while there will not only be a wide range from which to choose at Southampton, there will be new boats, improved boats, and some keen prices. Westerly, which holds the biggest share of the UK market at about 18 per cent, will be introducing the Storm 33, another design for them by Ed Dubois and a *progression* from the popular Fulmar 32.



Westerly will be launching the new Storm 33 at the show

The Fulmar has been used for some prestige racing events, like *the Lymington Cup, which* Westerly sponsors, and the Viyella Cup, a new inter-club match racing championship.

The Fulmar, however, is seen by the company as a cruising boat and it has formed the backbone of the Westerly Sea School, a highly successful charter and tuition operation. The Storm 33 is expected to have improved performance, providing racing competition to the popular Sigma 33, of which there were more than 50 at Cowes Week.

Also prominent will be Beneteau, the French company, which sells through a network of agents in the UK. It is best known for its First range and it now claims 15 per cent of the UK market for boats over £10,000.

The company has sold its products aggressively in a market in which it feels UK manufacturers have not updated their designs. But it has its own problems with water penetration of boats from one factory and a stretched spare-parts service.

Many British manufacturers believe Beneteau is subsidised through regional development and employment grants to give *an unfair advantage in export* markets. But Beneteau's agents on the south coast, Ancasta Marine, says that similar bene*fits are open to British builders.* They point to Jeanneau and Gib'Sea, some of their own rival French manufacturers, as examples of the aggressive way in which sailboats are being marketed.

Ten years ago, Beneteau and Westerly were the same size. Since then Westerly has undergone two major reorganisations and is now owned by Centreway Industries which is bringing in its own marketing skills.

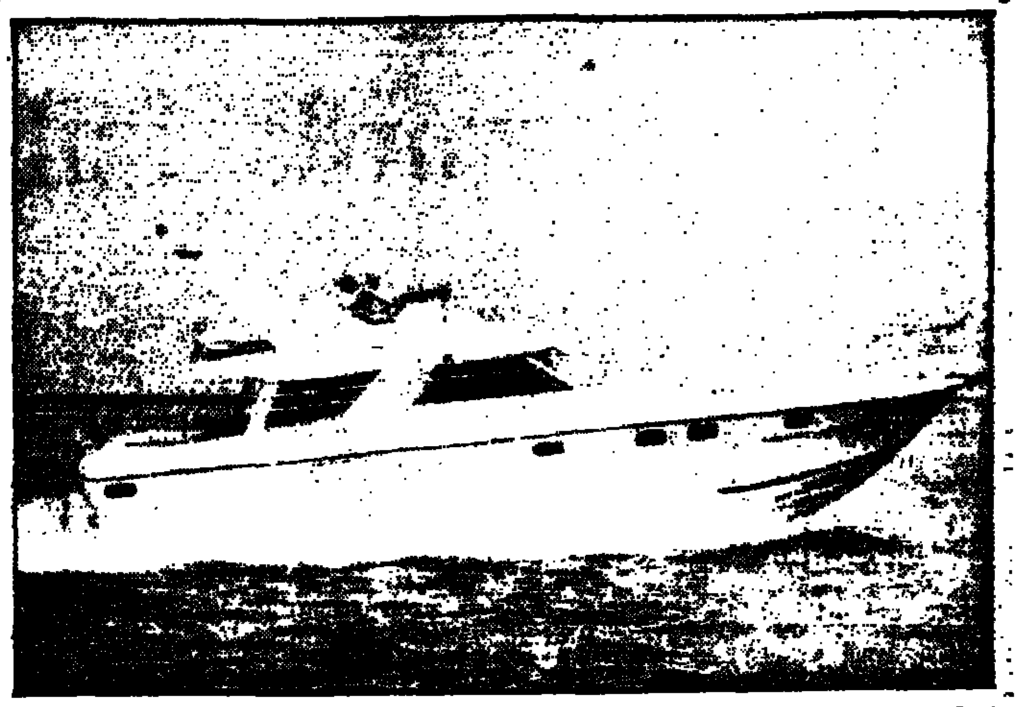
Meanwhile, Beneteau has been transformed by Annette Roux, grand-daughter of the founder. In 1964 the company had only 13 employees; now it employs 1,100 in five factories and claims to be the biggest producer in the world, with sales of £45m a year.

There are no British builders in the world top 10—the biggest is Westerly at number 15 with sales of £7.5m.

Beneteau will have two new boats at Southampton, the Oceanic 35 and the Oceanic 43 priced at £40,000 and £86,000 respectively. Both are designed by Philipe Briand, who has an established reputation in the field of ocean racers, multihulls and America's Cup boats.

Ancasta claim that the new hulls give improved perform*ance, big interior space and a* competitive price.

A sales figure of 50 Oceanic 43s in the first three months of production indicates the way in which a manufacturer can tackle a big market using a well-established dealer network.



Sam Newington, chairman of Fairline Boats, carrying out sea trials on the first 50-ft cruiser in his new range

The British company Moody also commands 15 per cent of the £10,000-plus market. The new small boat, the 28, has been revamped and given an aft cabin, albeit rather cramped, while the rest of the range offers volume and comfort and a strong second-hand market.

At the upper end, the Camper & Nicholson name is still around though the Gosport yard is concerned with individual owner specifications and fitting out rather than building from scratch these days. Its 58 and 476 still provide the attention to detail and quality which made the yard famous.

There is always a small market for those who like their yachts to have a traditional feel and look. The Traditional Boat Company of Sussex, for example, is building wooden yachts of solidity and charm but these days the wood is subjected to an impregnation treatment of epoxy resin. This creates a more stable yacht, easier maintenance and wood which does not take up so much water and so keeps the hull lighter.

Car toppers like the Laser and the Topper are still proving popular, though windsurfers have peaked out.

Among the flotilla holidays on offer at the show is a novel idea by Yacht Management International for a tax-efficient way of making money in a communist country. It involves investing $400,000 in a 60ft yacht on charter in the Adriatic from Yugoslavia.

Also making a profit these days are Britain's leading powerboat manufacturers. They have done their research and come up with a range of boats that is carrying the competition to Europe. One of the most *prominent is Fairline,* which will be introducing the 50, at Southampton, the biggest production boat it has built.

The company's shares more than doubled in value a few months ago after announcement of an increase of 36 per cent in sales to £5.8m and 60 per cent in profits to £403,000. Playing the French at their own game the company is opening a purpose-built factory within the Corby Enterprise Zone, taking advantage of development grants to build smaller boats, including the new 26 ft SportFury.

General demand in the power section is strong enough to hold up new boat prices and hold down discounting, and second-hand prices are catching up, according to Max Taggart, of Maxwell Marine Brokerage at Hamble. A buoyant stock market and lower interest rates have led to more demand for bigger boats, he added.

Overall, this trend is reflected in a sharp divergence between the sail and power market in both new and second-hand boats.

Where to berth these boats has been a problem for owners. But the severe shortage of berths, particularly in the *Solent, is being eased with pro*jects such as Hythe Marina Village and Ocean Village on Southampton Water. There are plans for a further marina at Town Quay, near the site of the Boat Show.

Other schemes being aired at the show are at Poole, the Groves and Guttridge marina modernisation at Cowes, a new marina at Gosport, and another at Langstone.

Stuart Alexander

Training Schools

Learning the ropes

A QUIET *tootle across the* Channel to France following in the wake of a ferry seemed such a simple task to a couple of novice sailors in their motor cruiser. Certainly less daunting than for a group of beginners contemplating racing to the Fastnet Rock and back to the Solent in 10 days of the hardest sailing in the world.

But the cruisers followed the wrong ferry, ending up stranded in Boulogne when they wanted to go to Calais. The racers, however, who had been honed for the task in a season of training, battled through traditional Fastnet gales to finish when more experienced crews gave up.

Which goes to show that the perils of the sea are not necessarily bad conditions, but also bad seamanship. "Too many people still think that sailing a boat is like driving a car," says Harvey Harris, who took the chastened Channel-hoppers into his Churchill motor cruiser school after their wrong turning.

The message *seems to* be getting across to the increasing number of people taking to the sea, however. Schools are being set up all around the UK coast to cater for the demand.

But the business is highly competitive, with as many schools going out of business as are being set up each year. The number at the Southampton Show has crept up slowly over the years to 14, and the 700 courses in the UK recognised by the *Royal Yachting Association* has remained stable.

"There are too many enthusiastic amateurs around for everyone to survive," says Commander Anderson, training manager of the RYA. More *people are retiring early or* taking redundancy from their principal careers and aiming to pay for their own sailing by teaching others.

Starting up such a business is not difficult for anyone with teaching qualifications and their own boat. Making a reasonable living out of the relatively short season can prove more difficult, however, and expanding beyond a single vessel can be prohibitively expensive, with sailing boats costing more than £30,000.

A motor cruiser like the Grand Banks 42 used by the Churchill School at Lymington costs £120,000, although Captain Harris, who set up 15 years *ago after leaving the Marines,* at least has the advantage over most sailing schools in that he can take pupils on his £450 courses the whole year around.

As in any small business, marketing skills and flair can be a vital factor. Roger Justice has proved this in his promotion of the Britannia Sailing School, based in Southampton. He left the Army in 1981 with experience as an instructor and his own boat and has managed in the short time since then to assemble *a fleet of four Sigmas* and 10 managed boats along with another ex-Army man, Eddy Edrich. His technique hinges on a combination of all-year instruction, hard selling, and a lot of flair.

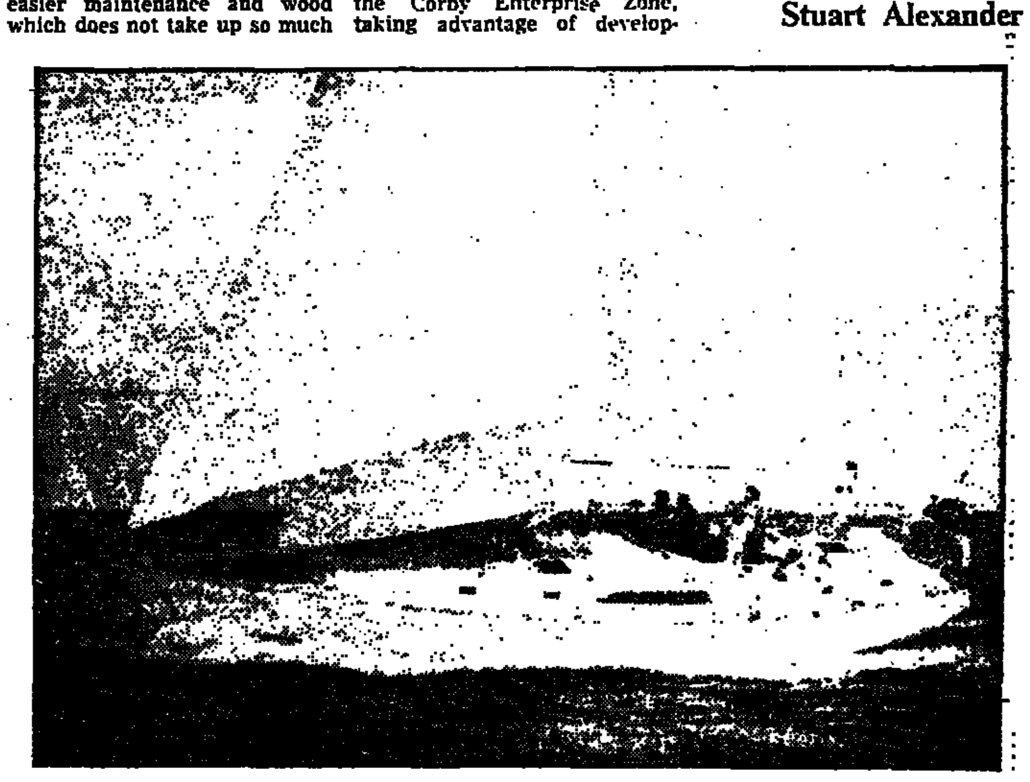
Winning the RORC Channel Handicap Race with a crew of students in 1982 was a clever promotion of the school's name. An even bigger coup followed when he persuaded the BBC to send Chris Searle to Britannia as a beginner to be trained for the 1985 Fastnet Race for his In At The Deep End series.

A big TV audience will be introduced to the joys and woes of Fastnet sailing—and Britannia's name—around Christmas time for a minimal outlay by the school. Justice even got a free Sigma 36 out of the deal by persuading suppliers that they had a duty to ensure Searle had a British boat.

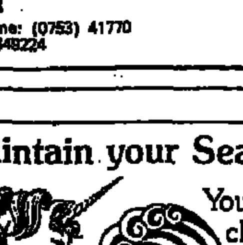
Now he is busy promoting a scheme for next year's Fastnet involving training 100 beginners for the race—chivvying sponsors will come up with another eight Sigmas to match his four.

Not many schools will match this razamatazz but others are also building up a sound base as commercial operations. The new Westerly Sea School, for instance, with 12 boats, could set a pattern as a floating promotional exercise for manufacturers

David Lawson



The Nicholson 476, a custom-built luxury cruiser with an attention to detail and quality which has made the manufacturer famous



Conservation

When words fail

THE ANNUAL conference of the Library Association is devoted this year to Preserving The Word. The delegates who assemble at Harrogate on Monday will be offered a series of talks on the dangers their books face and on methods of saving them. "Heritage in peril" is a cry raised so often when rich men's trinklets are sold abroad at great profit that we are deafened to the howls of real wolves. Meanwhile, the written records of our culture are turning relentlessly to dust.

Books face many risks. Even if they are read rarely, looked after well and kept in a good environment, they will suffer from normal wear and tear. Any library or book collection needs a programme of routine maintenance and repair. The present problem is, however, of a different order of magnitude. It derives from the physical composition of the objects themselves.

Until the middle of the last century, paper was usually made from rags. The pages of 18th century books remain strong, resilient and white. However, wood pulp, replaced rags from about 1850, and paper made from this deteriorates much more quickly. Leave your Weekend FT in the back of the car for a couple of weeks and watch the effects of even modest daylight. Strong sunshine is as bad for books as for complexions. But the main danger is from chemicals occurring during the manufacture of the paper. Acidic substances combining with moisture from the atmosphere slowly destroy the fibres which hold it together.

Testing how brittle a book has become does not require sophisticated chemical analysis. If you fold a corner of the paper three times and it breaks off, the end of that book is near. Taking the national collections in the British Library as an example, it is estimated that more than 30 per cent of the books produced in the three decades beginning 1870 would fail the three-double-fold test. In the decade beginning 1890, the proportion is 45 per cent. Within these figures more than 20 per cent would fail a double-fold test. Taking the three-fold test as the standard, between one and two-million volumes in the British Library are in urgent need of preservation. And, of course, every month the stock deteriorates further, with about 60,000 volumes entering the danger category each year.

The British Library is the memory of the nation, an unsurpassed accumulation of intellectual capital. The Library of Congress in Washington, located in a city with a more severe climate, is in a far worse state. But the problem affects all libraries, whatever their size. There are, for example, innumerable local libraries and specialised collections in this country that are unique and irreplaceable. Those who have responsibility for preserving them need to know what counter-measures are available.

Conservation can be expensive. The present method is to remove the book from its covers and wash out the destructive impurities, sheet by sheet. Other repairs to the paper and to the binding can be made at the same time so that the whole volume is restored and revivified. The most important books will have to continue to be dealt with in this way—at £50 a volume or more.

However, there are some high-tech answers on the way. The Bibliotheque Nationale in Paris is experimenting with removing acid on a bulk scale by putting books into a chamber and adding neutralising chemicals. The British Library has let a research contract into methods of strengthening old paper. We urgently need a cheap method of reversing old age.

A complementary approach is to make reproductions and so save the originals for purposes for which they alone can provide the answers. The heat of xerography can damage paper, and bending books flat breaks their backs. The British Library has developed overhead copiers which do not have these problems and which are now available commercially. Many books are now available on microfilm but the process is user-unfriendly. "It tmakes me seasick after 20 minutes," a conscientious scholar told me.

The future probably lies with image digitisers which scan the pages and store the information in the form of an electronic signal. The signal can be transmitted anywhere it is needed, to be read on a terminal screen or printed back onto paper. For checking references the screen will do, but I do not doubt that the format of the book will survive whatever happens to printing. It is the most efficient information storage and retrieval system yet devised.

Next week's conference should help to spread ideas on what is being done internationally and what is in prospect. The main obstacle is often not technology or even money but access to advice. Some of the most effective measures to preserve local archives, for example, need cost only a few hundred pounds or less.

Restoring a Shakespeare First Folio at the British Library bindery

The British Library, has, therefore, established a unit to offer information and suggestions. Diana Grimwood-Jones or Judy Watkins (01-636 1544, ext 583) welcome inquiries from the public and from anyone who has care of books. They will give you lists of stockists of acid-free boxes and non-metal paper clips. They can tell you where to buy an image digitiser or an electro-luminescent copier. They advise on how to guard against fire and flood and how to cope when they occur. The National Preservation Office, as the unit ambitiously is called, might yet save the nation.

Meanwhile, in other parts of London, British publishers continue to use paper stuffed with acids for printing new books. By contrast, in the US, which is supposed to be the land of commercialism, it is now normal to insist on acid-free paper. This is not much more expensive and increases life expectancy by 100 years or more.

William St Clair

Gardens are never static, says **Robin Lane Fox**

Inconstant Nature

COULD YOU ever live with somebody else's famous garden as your responsibility? The idea sounds attractive, but it fills me with unease. Suppose that great garden-planter Lawrence Johnston had suddenly rung up; he had heard that the National Trust was planning to plant ground-cover in his garden at Hidcote Manor in Gloucestershire, and he wanted to find a personal heir instead. He would set up a peaceful little fund to pay the staff; there would be no brown envelopes, no claims to have worked "unspecified hours" and earned odd sums which needed complex settlements in cash on a Sunday. There would be the guarantee of three good gardeners and a person to cut the magnificent hedges. In return, the donor was wanting a guide and supervisor who would "conserve" his garden.

Even for the sake of Hidcote I would negotiate and consider refusing. Its style of gardening is still the dominant manner of the late 20th century, but it is not at all suited to the language of "trust" and "heritage" which is often draped round it nowadays. This style depends on a profusion of plants and flowers within a more permanent framework. Even if you really believe that every sort of garden plant ought to be preserved, you are kidding yourself if you believe that this style of gardening can be "conserved," too, like bottled fruit. These gardens are never static and the ideal of conservation is misplaced.

Suppose the generous American really had bequeathed me Hidcote, would I devotedly replace every single little plant in his patchwork as I inherited it? Of course not. A hard winter might kill the scarlet penstemons in the famous red border; honey fungus might attack the flowering cherries; the lilies might decrease or catch a virus.

There would also be temptations. Surely the original plan of the red border would have welcomed the lovely fiery-red Crocosmia Lucifer into its colour scheme? It is the most marvellous improvement on the plain orange Montbretia and its relations, and we now known that it is totally hardy. Lucifer was developed long after the death of Hidcote's owner; would he really want it excluded so that his garden became an historic monument to a certain phase in the progress of plant-breeding?

We are hearing so much about supposed declines and losses of worthwhile plants that we risk forgetting that many excellent ones have emerged quite recently. Surely a great garden should include them if they are true to its general design? It would be absurd to ban them and watch the original red roses dwindle and the scarlet Lobelias be hit by a succession of cold winters. I would not relish the battle with the American lawyers, who would doubtless have drafted the deed of gift: when is a garden no longer the same garden, true to its owner's vision? If they insisted that the gift excluded all improvements, it certainly ought to find no takers. After ten years, the heir would be guarding a noble skeleton.

The difficulties go deeper. Respect for an "original design" is itself misplaced. Gardens are not like antique curtains or finely-carved chairs. They grow and change in the care of the person who conceived them. There is no single "original" Hidcote to be preserved in amber. The painter never laid down his brush; there was never a moment when this garden, or any other, had reached fulfilment so that it only had to survive and exist.

As a great gardener, not a lawyer, Mr Johnston would surely have realised this. Other people, over-enthusiasts or non-gardening visitors, expect too much. They like to complain that great personal gardens, like the gardens at Sissinghurst, or the small masterpiece at Tintinhull, have changed in public ownership. Do they think that they never changed in their owners' own time?

Recently, I turned up photographs of my own garden eight years ago, and began to wonder if plants, like Indian chieftains, die as soon as they are photographed. The herbaceous and smaller planting in the main beds seemed unfamiliar, yet this flowery style is central to the effect of gardening as we now practice it. In eight years, my garden had changed without any outside interference. If there had been, it would hardly be a national concern.

However, a place like Sissinghurst has become a national concern, and here I was looking recently at the garden notebooks of its makers. Every year, they made dozens of notes and plans, changes and rearrangements. Those who complain that these gardens are "not what they were" should wonder when they were ever constant.

In gardens, "conservation" is a subtle matter of degree. We will, I hope, preserve the main ground-plan of hedges and enclosures, which gives a place like Hidcote its special charm. Even so, they have grown to a bigger and more constricting size than their planters ever intended.

At most, we should respect particular concepts, red borders, white gardens, walks of clipped hornbeam. Beyond that, no heir could sensibly go. Even the commissioned "architects" plan is a trap. At Hestercombe in Somerset, you can still see the great Miss Jekyll's planting-plans displayed on the walls of the garden orangery.

The gardens have been charmingly restored to much of the original ground-plan, but, even if this planting was copied faithfully, would it really present us with the perfect Jekyll garden? Good garden planters change their minds after a year or two or are forced into changes by local circumstances. Plans are blueprints, not finished paintings: not even Miss Jekyll could produce a lasting garden through one detailed sketch, sent by post.

If ever Hidcote's owner dials me on some supernatural telephone, I would reply with a succession of responses. First, anxiety: I am sure I would let him down and make the most awful mess. Secondly, gratitude: it sounds so very generous. But lastly, and more permanently, a sense of doubt that the adventure depended on modern, misguided ideals: how can you really conserve a "heritage" which has been changing from the day it began?

Hidcote Manor . . . not like an antique curtain

Collecting

In praise of rhinos

"YOU DO NOT take my fancy in the least . . . Rhinoceros you are an ugly beast" declares Hilaire Belloc's **Bad Child's Book of Beasts.** Ian Fleming felt much the same: "aesthetically, one fully realises, the rhinoceros has missed the bus."

The maligned animal has at last a champion however in T. H. Clarke, whose new book **The Rhinoceros from Durer to Stubbs, 1515-1799** (Sotheby's Publications, £29.50) elegantly and entertainingly traces the place of the great pachyderm in art. To the views of Belloc and Fleming, Clarke retorts pugnaciously: "*That* is a matter of opinion." Rhinos may not have the cuddly charm or instant aesthetic attraction of pussy cats, puppies or deer, but their great ungainly bulk, their patience, and the pensive, melancholy little eyes in time make their own appeal.

For the artists of three centuries they had the still greater attraction of the exotic. Clarke reveals that during these three centuries, eight rhinoceroses made the trip from India to Europe. The plan of his highly original book is to track the peregrinations of each of these animals, and to link them individually with the artists who were inspired to paint them.

The most compelling image in rhinoceros art is the great Durer woodcut of 1515, which continued to be reprinted throughout the 16th century, until the block cracked and disintegrated. The original subject of the Durer portrait arrived in Lisbon in the same year as the print was made. He (or she) was the first rhinoceros to arrive in Europe since the third century.

Such a rare animal made the ideal diplomatic gift: this creature was passed from the Sultan of Gujarat to the Governor of Portuguese India, who gave him to Manuel the Fortunate of Portugal, who sent him on to the Pope, all dolled up with a gilded chain and a green velvet collar decorated with roses and carnations. En route he was visited by the King and Queen of France, who playfully threw oranges at him. Unhappily the rhinoceros never arrived in Rome: the ship sank in a storm off Porto Venere and the dandy animal was drowned.

In fact, Durer never saw him in person, but worked from sketches sent to him from Lisbon, which explains some oddities of the woodcut animal—an unjustified extra horn in the small of the back and a hide ornamented somewhat like the armour that Durer designed for the armourers of Nuremberg. The creature is still magnificent, however, and one of the great images of European art. Such was Durer's authority that school books in this century were still representing it as accurate zoological representation.

The next rhinoceros to reach Europe came to Spain, along with an elephant, as a gift for Philip II. This one was drawn from life, but the artists who encountered him, though zoologically more precise than Durer, had none of his might, and their drawings made little impact on European perception of the animal: the Durer image was to persist.

At first the King was fond of his beasts, but went off the rhino badly when it playfully overturned a chariot full of the nobility, and despotically commanded that its eyes should be put out and its horn cut off.

Pachyderm peregrinations tended to follow the shifts of colonial power in India. The next two animals to reach Europe arrived in London, in 1684 and 1739—the second of them being quite well recorded in a series of drawings and prints by James Parsons.

All, however, were eclipsed by Clara, who was acquired by a Dutch sea captain in 1741 and spent the next 16 years on triumphal tours throughout Europe. When Clara arrived in England, the posters proclaimed that she was "tame as a lambe. . . and for two years successively has run round the tables of Gentlemen and Ladies like a lap-dog."

Clarke has reconstructed a large part of Clara's itinerary as she travelled through Holland, Germany, Austria, Poland, France, Italy and Northern Europe. She had her own massively-built carriage and was exhibited in a wooden pen, where she is depicted in various representations, daintily toying with collations of hay.

She was visited by royalty, and more important was recorded by the great naturalist Buffon. Buffon's 42-volume natural history illustrated a portrait of Clara by Jean-Baptiste Oudry, who also made a life-size oil, 15 ft by 10 ft, which was bought by the Duke of Mecklenburg Schwerin and now survives (says Mr Clarke) in very poor state in the Schwerin Staatliches Museum. As opposed to these zoological studies, Clara's life as show-girl is charmingly illustrated in two paintings by Pietro Longhi, one of which can be seen in the National Gallery.

From the moment of Clara's Parisian debut in 1749, Europe was hit by rhinomania. Ladies wore their hair *à la rhinoceros;* a gentleman of fashion disguised his carriage horses as pachyderms; and a taller story relates how a lady, inspired by house in a cardboard rhino.

Meissen had a special liking for the rhinoceros: J. G. Kircher modelled one after Durer as early as 1735. The most costly and spectacular rhinoceros clocks were made in England and supplied by James Cox: Clarke has traced Cox's masterpieces in the Hermitage and the Palace Museum, Beijing.

Strangely, a new rhinoceros which arrived in France in 1770 and was ensconced in some luxury in Versailles, attracted little attention and lived quietly on, through the worst of the Revolution, until 1973.

The last two of these 18th century visitors from India were exhibited, as strictly commercial popular shows, at Exeter Change in the Strand, in 1790-93 and 1799. The first of them modelled for Stubbs' great portrait, now in the Royal College of Surgeons. The second figured in Samuel Howitt's *Oriental Field Sports* and was apparently sketched by Rowlandson. Plain-featured and clumsy these creature may have been, but they undoubtedly moved in the best artistic circles of their day.

Janet Marsh

Stored for success

I AM surprised at the lack of commercial interest shown so far in the various moisturising substances for soil that have now been available for several years on the Continent, although only spasmodically here. They are really gelling compounds with the ability to store considerable quantities of water — up to 400 times their own weight, according to some makers — and liberate it to the roots of plants when required.

Since the moisture is retained in a gel, it cannot run away into the subsoil or be washed out of the drainage holes of pots; nor is it so readily removed by evaporation as free water. In practice, this means that a little of the moisturising substance, mixed with soil or placed in a plant pot or a planting hole, will keep plants growing happily even when they are not watered regularly.

Inadequate and erratic watering are two of the commonest causes of failure with pot plants. In warm weather plants use a lot of water; and unless pot plants are watered at least once, and occasionally even twice, daily they will become dry. As a result, stems may get hard and growth cease and then it can be a difficult matter to get things moving again.

The traditional method of reducing these dangers was to mix spongy materials such as peat or leaf mould with the soil. This works well if the materials are well moistened to begin with and are never allowed to dry out. The snag is that if they do become dry, both peat and leaf mould develop quite a high surface resistance to water which simply runs off them instead of soaking in. So, success depends on reasonably regular and adequate watering.

It would appear from my quite limited experiments, mainly with a French product named Grain d'Eau, that all these difficulties can be reduced greatly by using moisturising granules. These can be mixed with the soil, usually at one to two grammes per litre, or a small quantity can be put into the bottom of each pot.

More accurately, what I do is to put in a little compost first and then about half an egg cup of moisturising granules. Finally, I pot the plant in the usual way. When I then water the plant, I find that I have to give more than usual because so much is absorbed by the granules, which swell up to form a gelatinous pad beneath the soil.

Much the same thing happens with subsequent waterings; but the net result is that while I do not need to water so often, the compost remains nicely moist and plants go on growing happily. I find it helps to place the pots in saucers with a piece of capillary mat under each to

Gardening

soak up any water that does run through. I stop watering as soon as I see the mat darken with moisture.

So far, I have used moisturisers mainly for house plants, since those in the greenhouse can be kept moist by standing them on a capillary bench. At least, that is the theory. In practice, I find that these benches always seem to run into trouble directly I go away for a few days. I return to find that a feed nozzle has become blocked with lime, or a delivery pipe choked with black slime, or that a pipe has blown off leaving the bench quite dry.

So, after my initial success with house plants, I will extend the moisturising experiment to the greenhouse, combining it there with the capillary benches. It could prove to be too much of a good thing but I am hopeful about it.

What concerned me at first was whether the moisturising compounds, all of which seem to belong to a group of chemicals known as polyacrylamides, might have some harmful effect on plants. So far, I have not seen any myself, nor heard of any from other gardeners; in fact, it seems that all those plants I have grown with a moisturiser now look happier and healthier than before.

All have been fed with fertiliser added to the water in the normal manner and they have responded to this in the expected way. I would be interested to know if any readers have noticed harmful effects that might be due to using moisturisers.

My next experiments will be with plants growing in the open ground, not established ones but those that are just being installed. There is always a tricky period for a few weeks or months while they are sending out new roots in search of water, and I do not find it easy to remember to water everything that has been newly planted as often as I should. Perhaps a teacupful of moisturising granules in the planting hole for a rose or shrub, and half that quantity for an average size herbaceous plant, would ease the way to safe and rapid re-establishment.

Hydreserve, the retail trade name of Broadleaf P4, is manufactured by Agricultural Polymers, Northwich, Cheshire, and appears to be available from Idealands, 1 St George's Avenue, South Shields. But no one locally seems even to have heard of soil moisturisers. We appear to be in that all-too-familiar situation of no one wanting to stock a product for which there is no demand, but no demand being likely to grow for something that is unknown and hard to get.

Arthur Hellyer

Country Notes

Better late than never

THE MAIN effect of the 1986 season on my farming has been the lateness of everything. Growth did not start until very late April, whether for grass or grain crops; in consequence, the lambs did not have enough feed to keep themselves thriving and were two or three weeks later than normal in getting fit for the butcher. This meant that many failed to make the higher prices because after the end of June the scheduled prices tumble very rapidly.

Young grass is at its most valuable for the production of meat and milk until about the end of May; then it begins to throw up seed heads and loses its value for grazing. It was no compensation for me that the bulk of production from June onwards, fed by the steady rain, produced the most fantastic yields of seeding pasture. We made as much hay of it as we could between the showers; even so, the sheep could not keep pace.

This rainfall was very local. There were areas where there was a virtual drought right through the summer and farmers were crying out for rain. Not only did my grass grow but so did the hedgerow weeds and the pasture ones, too. First, I sprayed the thistles and then had to cut their second growth. The hedges grew a great mass of leaf and even the trees seemed to have denser foliage than normal.

However, probably because of the continuing low temperatures, there does not seem to be as much in the way of nuts and berries. I have a walnut tree in the garden planted 40 years ago, and for most years it has fruited quite well. This year, I had promised myself enough to pickle but, at the right stage, I only found half a dozen. Walnut pickling is quite an art. The nuts have to be picked at just the right time and I usually go out for them when they have become too mature. Once they are fit, the local rooks and squirrels are much earlier risers than I am and I seldom get a taste.

Nor will there be much joy for the conkers addicts. There are very few indeed on the trees and the acorns are very scarce, too. One of my best blackberry hedges seems to be showing nothing but a few dessicated embryo berries; however, for those who like rose hip tea, there seem to be plenty in the hedges but still very green. There seem to be hardly any hawes; it was probably too cold for the bees to take much interest at flowering.

After watching these developments, and aware that the lambs were not fattening as they should, I had small hopes of the harvest. You might not quite understand the connection; but I have noticed that in years when the lambs thrived on the pastures, the grain has yielded very well, too. But I have been pleasantly surprised that the harvest yield has been very good indeed.

What mainly determines yield in grain crops is the size and specific weight of the berry. Last year, although the crops of wheat and barley were thick and well headed, the berries were thin and of low specific weight. This time, my bushel weights (as we call them) are well up, both for wheat and barley; and although the crops appeared thin on the ground, the size and weight of the grain berries is such that wheat yields are better than average and barley well up to it.

This has been due almost entirely to the summer coolness and the consequent lateness of the crops. Instead of having their maturity hastened by a warm summer, they have kept on growing, and even now most of them are not yet quite ripe. This is really a matter of latitude. For instance, French crops in the areas south of Paris are generally ripe three weeks before ours; but although their quality is usually better, their yields are not quite as good.

Cool weather has also reduced the attacks of the various fungus diseases and so saved a lot of money on sprays.

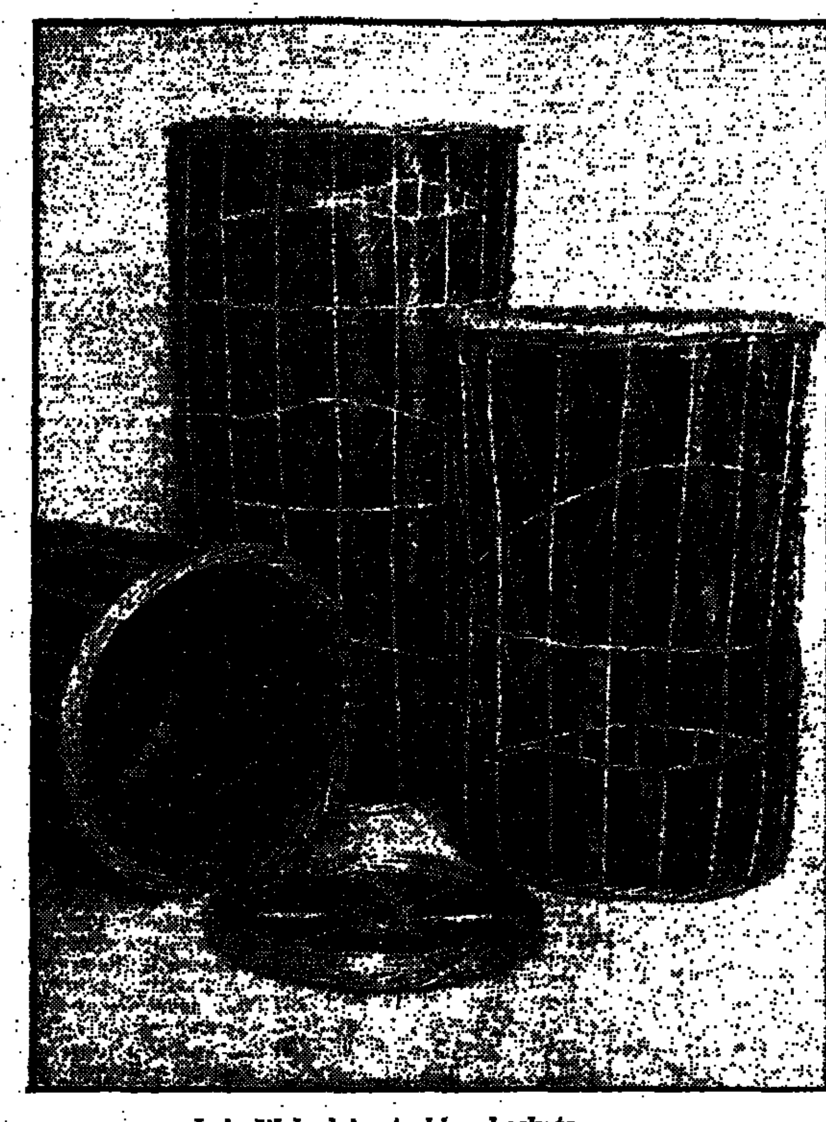
All that remains is to save the standing crops. I have managed to secure only a third of my acreage; normally I would have finished by now. The days are getting shorter and every storm beats more down.

John Cherrington

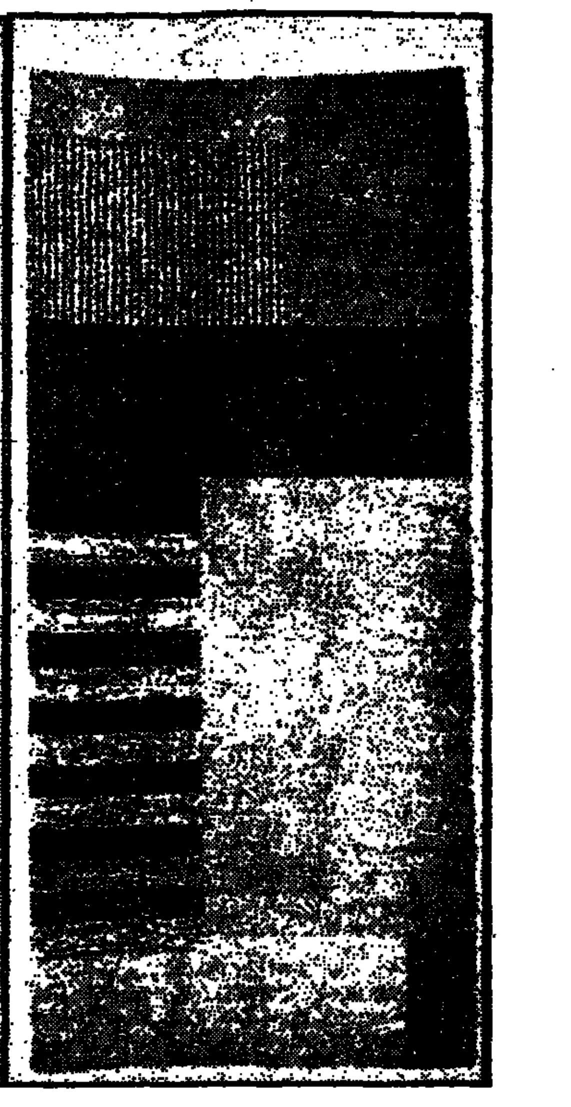
Where craft becomes art

Lucia van der Post

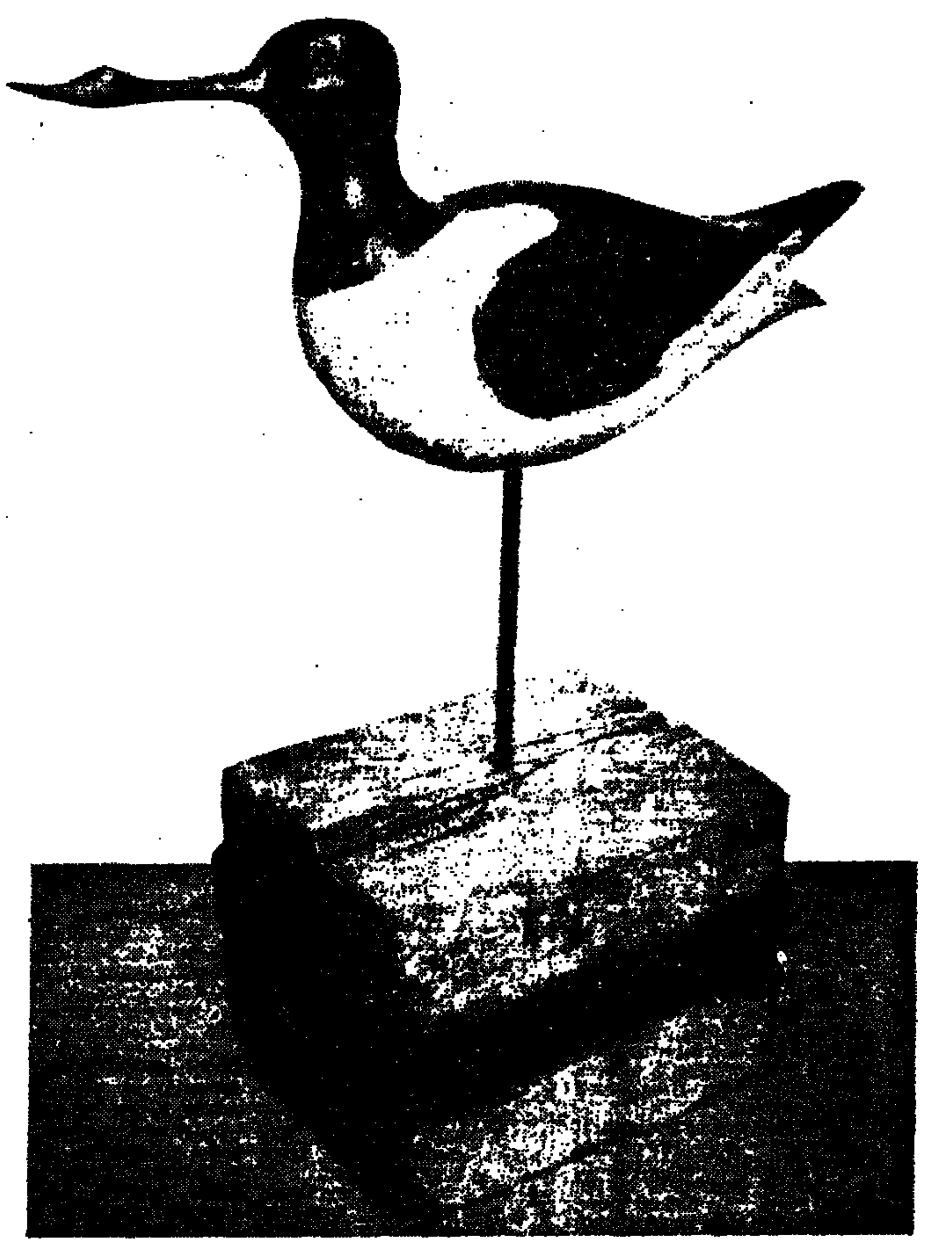
HOW TO SPEND IT



Lois Walpole's stacking baskets



Woven calico rug



Oystercatcher in carved and painted wood, by Guy Taplin

FOR MANY years our crafts have enjoyed a great revival. Anybody who has taken an interest in them will know that an army of creative and original workers is beavering away in workshops and homes up and down the country.

It is always well worth keeping an eye on what the British Crafts Centre is up to and this week (from September 5 to October 4) sees the opening of an exhibition of exceptional merit.

Three artists are showing a wide cross-section of their work: Guy Taplin, whose carved birds will already be familiar to regular readers of How To Spend It; Lois Walpole, who turns something as homely and domestic as a basket into a work of art; and Sally Hampson, with her geometrically patterned rugs.

I have already expounded on my enthusiasm for Guy Taplin's work. He hasn't swayed from his commitment to simple materials like wood (often driftwood) and paint to capture the spirit of the bird-life (and some fish-life) near his home on the Essex coast.

Visitors to the exhibition who have not yet discovered his magic way with wood can see for themselves how, with the simplest possible shape and outline *he seems to encapsulate* the spirit of the bird he has in mind. There is no confusing a duck with a swan, a goose with a curlew—and yet simplicity is the essence *of his style*.

For me, one of the highlights in the exhibition is his giant fish—new to me. I hope he will do more in this line.

Lois Walpole *has taken* basket-making right out of the realm of occupational therapy into the arena of hard-edged experimental art. She brings to basketry an *endless source of* creative inspiration, with more new techniques, shapes and finishes than I would ever have thought possible. When you consider that there is scarcely a culture in the world that hasn't produced is own version of the basket (many exceedingly beautiful) I marvel that she has been able to discover yet more possibilities.

As for Sally Hampston's rugs—these are new to me and of enormous interest. She uses lengths of calico, which dyes carefully and precisely to suit her purposes.

Her rugs are like no others I have seen, although they clearly owe some of their inspiration to the work of early designers (exhibition notes point out that Eileen Gray's rugs were probably an early source of Sally Hampson's inspiration and for those familiar with her work the link can certainly be traced). When photographed as here, or hung on a wall, they may look more like a work of art than a rug. Not so—they are, it appears, as tough and durable as any peasant rug made from old rags, and they would look good and wear well upon the floor.

If you can, go along to the exhibition. The three craftsmen show us new and interesting ways of looking at the everyday things around us; they are powerful voices for the value of fine craftsmanship in our lives, and vital evidence of how far crafts have come from the old raffia-and-dirndl-skirt days.

Carved and painted Big Fish, by Guy Taplin

An offer to preserve

Early autumn offers a marvellous opportunity for playing earth-mother roles. All those jams to be made, golden fruits to be bottled, chutneys to be stirred—to shore up the larder shelves against the ravages of winter. If your kitchen does not have a proper preserving set, now is the time to get one.

During September and October Divertimenti, of 139-141 Fulham Road, London, SW3, also at 68 Marylebone Lane, London, W1, has a special offer of a 9-litre heavyweight ground base preserving pan (normally £30.65), a jam funnel (normally £1.24), and a jelly bag (usual price £6.80) all for £32.85, as a package (postage is £2.50 extra for the three items). There is nothing to stop you buying them separately, but you will pay the full retail price for each item.

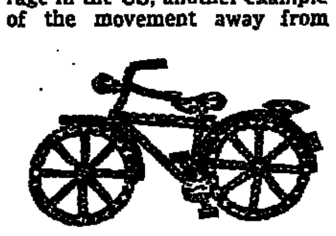
Besides the preserving set Divertimenti has preserving seals (19p each), Le Parfait jars (£1.19 for ½-litre size, £2.96 for 3-litre size), and jam pars (38p small, 43p large).

Flamboyant and faked

Winter looms, and dark clothes seem to be on the agenda again. These three witty, sparkling gems are the perfect foil to a black dress or dinner-jacket; (yes, dinner-jacket; I am reliably informed that men are snapping these up, both for their DJ lapels and for wearing during the day on dark suits). *They are all the* rage in the US; another example of the movement away from the precious, the real and the discreet *into the funky*, loud and frankly fake.

Made from nickel and crystal, they are part of a collection of wildly flamboyant jewellery *marketed by Angie Gooderham* (if you like the style she does lots more like them). Buy the car for £33, the bicycles for £35 and the aeroplane for £25 from Whims of Windsor, David Joseph at Clerkenwell Road, London, EC1, Beige in Golders Green Road, London NW11, or Minnie's at Sidney Smith in the Kings Road, London SW3.

Out-of-London readers can buy by mail for 50p extra to cover postage and packing — write to Excessories, 34 Biddulph Mansions, London W9.



Drawings by James Ferguson

Cookery

Season of mellow fruitfulness

THE ONLY think to be done with this summer is to put it firmly behind us and to hope (against one's better judgment) for a mellow autumn. The cook can make sure it *is* a mellow autumn, at least from an eating point of view, by making dishes using fruits and vegetables with warm sunny flavours and comfortingly rich colours—orange, gold, green and royal purple.

Produce at its best just now includes freckled apricots, tawny-gold greengages, creamy smooth avocados, sweetcorn, globe artichokes, glossy aubergines and sweet peppers.

Two of the recipes which *follow are my own*, but the first comes from a book by Adrian Bailey called Fruits of the Earth (to be published on September 29 by Michael Joseph at £10.95). *Bailey* describes it as "a non-vegetarian's consideration of the rewards of vegetable cookery" and offers a charming cosmopolitan pot-pourri of fruit and vegetable recipes, blessedly free of any health-conscious fanaticism. The recipes are divided into seasons and the book is illustrated with ravishing paintings by Graham Rust.

SWEET 'N' HOT CORN AND OKRA CHOWDER

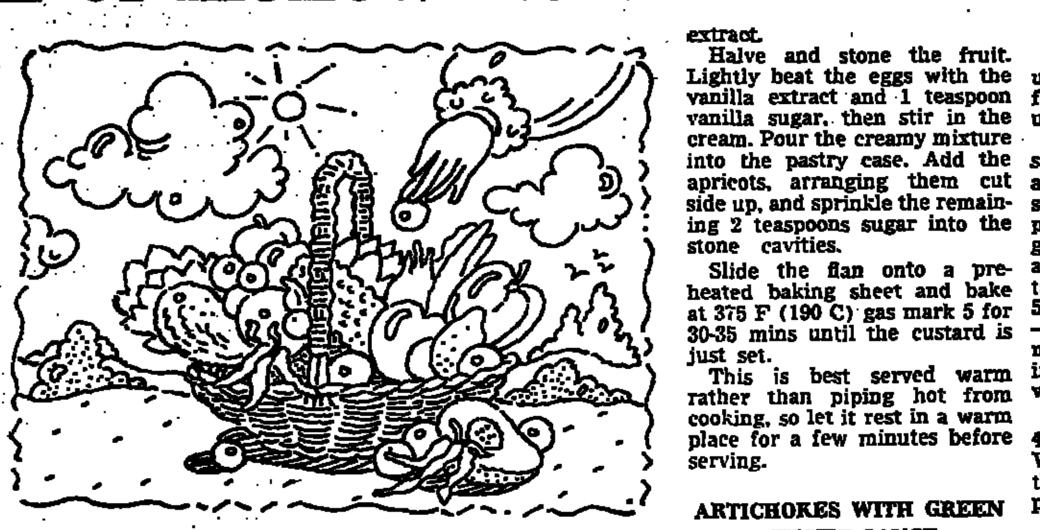
As Adrian Bailey says this is a cross between a chowder and a gumbo soup. The corn provides the sweetness. Chillis add a fiery piquancy, while the okra—*also known as ladies' fingers*—gives the dish a delicate, mucilaginous texture.

2 fresh corns-on-the-cob; 1 medium-sized onion; 2 celery stalks; oil for frying; ½lb okra; 1 pt milk and water mixed half and half; 2 dry chillis

Boil the ears of corn for 5 min, leave to cool, or plunge them into cold water. Sauté the finely-chopped onion and finely-sliced celery in oil. Slice *and add the okra, then stir-fry* for a minute or two until the vegetables begin to soften. Strip corn from the husk and add to the onion and okra mixture.

Put these fried vegetables into a stewpan, add the milk and water mixture, the chillis, salt and pepper. Simmer for 30 *minutes on a low flame*.

To make a smoother soup you can blend a third of the volume, then add to the rest. The soup improves by keeping overnight and reheating the following day. Remove chillis before serving. Make 4 servings.



Anne Morrow

APRICOT TART

(Serves 6)

Use fairly ripe apricots or, *failing* that, use *greengages*. Both fruits are equally good for this tart. For best results, flavour apricots with a little pure vanilla and greengages with a pinch of cinnamon.

1 x 9 inch blind baked shortcrust flan case; ¾ *lb apricots*; 7½ fl oz whipping cream; 2 eggs; 3 teaspoons vanilla sugar; ½ teaspoon pure vanilla extract.

Halve and stone the fruit. Lightly beat the eggs with the vanilla extract and 1 teaspoon vanilla sugar, then stir in the cream. Pour the creamy mixture into the pastry case. Add the apricots, arranging them cut side up, and sprinkle the remaining 2 teaspoons sugar into the stone cavities.

Slide the flan onto a preheated baking sheet and bake at 375 F (190 C) gas mark 5 for 30-35 mins until the custard is just set.

This is best served warm rather than piping hot from cooking, so let it rest in a warm place for a few minutes before serving.

ARTICHOKES WITH GREEN VELVET SAUCE

I like to serve artichokes when tepid, about half an hour after cooking. If left until completely cold they can taste strangely stale; if cooked many *hours ahead* they are horrid. The fluffy light-textured sauce used here makes an agreeable change from the usual Hollandaise, mayonnaise or vinaigrette. Whether the taste is subtle or lively and sharp depends mainly on how much lemon is used. Serves 8.

8 globe artichokes; 1 small very ripe avocado; lemon juice and safflower or sunflower oil; freshly snipped chives; salt and water.

Trim the artichokes in the usual way and cook them in fast-boiling acidulated water until tender. Drain well.

To make the accompanying sauce, halve and stone the avocado and spoon out the flesh, scraping as close to the skin as possible, where the flesh is greenest. Put the avocado into a food processor and add 2-3 tablespoons lemon juice and 5-6 tablespoons chives. Process—stopping and starting the machine frequently—until the ingredients are reduced to a very smooth green purée.

Put into a jug 9 fl oz oil, 4 fl oz water and ½ teaspoon salt. With the machine running, pour the contents of the jug into the processor in a very slow trickle.

Continue processing until avocado and liquids are *smoothly* blended and the consistency of the sauce is very light and creamy. Taste the sauce and beat in a little extra lemon, salt, oil, chives and/or water if you think the sauce needs any of these things.

Philippa Davenport

Now success smells sweeter

Beauty and the male

FRAGRANCE is said to be the ultimate accessory, the final touch to good grooming; but "male fragrance" comes close to male make-up on the scale *of unmentionables* for British men.

In selling scent to females, advertisers often picture an "ideal woman." The message seems *to be*: "*Wear this and* you will be beautiful." The ideal woman is also discreetly rich, confident, and obviously successful. So what do the image-makers think of the ideal man?

A quick glance at the promotional blurbs for men's fragrances reveals a similar picture. Rich, *confident*, *obviously* successful and even beautiful but also sporty, well groomed and, above all, masculine.

The sports boom has helped change men's attitude to fragrance," says Mary Brogan, chief cosmetics buyer of Selfridges department store in London. "It has taken away the possible connotation that anything to do with pampering yourself is sissy. Young men, in particular, are beginning to appreciate that a man in business wants to emanate success and that good grooming is part of the image."

Since 1983, the male "fine fragrance" market has increased by 49 per cent and now comprises 52.5 per cent of total sales for men's toiletries. According to J. R. Kelley, managing director of Prestige and Collections who recently relaunched Ralph Lauren's Polo ("for distinguished gentlemen who are sports") in the UK, there are two reasons for this growth.

The first is the increased activity in the fine fragrance sector leading to heavily promoted launches of men's fragrances like Anateus by Chanel, Cacharel's Pour L'Homme and Yves Saint Laurent's Kouros (for "living gods"). In part, this has been an attempt to shake the domination of Aramis, which has been so far ahead in the men's toiletries market that it has almost found itself out on a limb.

The second reason is the so-called increased awareness *of fashion among younger* men, which means they also are more interested in fine fragrances to match their "style." Advertising has seized on this image—it is full of references to style, elegance and youth as well as achievement, success and triumph. But Mary Brogan is less sure that British men are so eager to accommodate this ideal. "They are changing but it's a slow uphill battle, especially in the provinces. It's not that long ago that the average Englishman north of Watford was hard to convince that he needed a deodorant," she says.

Sergio Soldano is an *Italian* designer who has recently launched his "freshly sophisticated, virile fragrance" in Britain. A "monolithic" fragrance (a technical description much loved by advertisers), Sergio *Soldano for men is a spicy*, sophisticated blend that seems to have the same unisex appeal of Dior's Eau Sauvage, which was created for men, snapped up by women, worn happily by both and proved a marketing man's dream.

Many factors affect the way scent smells on you. For one thing, perfume is affected by climate; a fragrance that might smell warm and peppery in hot weather can smell overpowering *and sickly in a cooler* atmosphere. Another major factor is personality. Scents change with your mood and your state of health, and the after-shave you have used for years might consequently smell better on some occasions than others. If you are stressed, ill or amazingly keen on garlic, the acids in your skin will instantly affect what you put on it.

According to Haarmann and Reimer, a perfume company, *whose four volume work on* Understanding Fragrance is the contemporary bible on the subject, adults fall into four classes. The first is the soap-users, those for whom cleanli*ness is as* functional as eating and drinking and who do not perfume themselves at all. The second is those who generally perfume themselves only for specific events. *The third* is the brand name-users who use perfume to define and demonstrate how they are, who they would like to be, and what they can afford. The fourth is the perfume aesthetes, who use fragrance to satisfy a momentary mood or feeling.

Aided by the loyal female of the species, the modern Englishman seems to hover between groups two and three. He has definitely advanced beyond carbolic and perhaps *is even on* route towards aestheticism. These days, if you're 20 to 30 and want to get ahead, you have got to be sleek, lean and sweet-smelling as well as clever. So forget about the career master's advice—just head for the beauty counters. They are the new passport to confidence and success and they await you with open arms.

Nicky Smith

Old-fashioned millionaire

ARI: THE LIFE AND TIMES OF ARISTOTLE ONASSIS
by Peter Evans. Jonathan Cape £12.95 367 pages

AS HE lay dying, Onassis told one of his aides, "I was just a Greek kid who knew how to do his sums." It is one of the few notes of pathos in a book filled with greed, lust, murder, in fact an almost indigestible conglomeration of the deadly sins. Any sympathy for the poor motherless little boy who lived through the 1922 Turkish sacking of Smyrna, which caused the death, indirectly or directly, of his beloved grandmother, several uncles and the breakdown in health of his incarcerated father, is very soon dissipated.

The young Aristotle learnt to profit from tragedy early, finding a lover in the Turkish lieutenant who commandeered the Onassis house and eventually making his way to Athens with as much of the family fortune as could be bandaged to his body.

Finding Athens overfilled with those of his family who had managed to escape (due in the most part, it must be said, to his organisational wheeler-dealing) he emigrated to Argentine in 1923. There he chalked up his first million by selling Turkish cigarettes made of the "Macedonian" tobacco produced by the Greek-based Onassis business.

Ships followed as the natural course for any competitive Greek millionaire, beginning in a relatively small way in the 1930s with a London-based company. He soon made the big league in New York where he took refuge from the war in 1940. There, in what Peter Evans describes as a "no-lose situation for the shipowners," he settled down to profit from World War II.

Meanwhile his personal life was dictated by whichever woman he thought the classiest, richest and/or sexiest. During a Hollywood playboy period he dated Paulette Goddard, Gloria Swanson and Veronica Lake, even though he had a long-standing relationship with a Norwegian shipowner's daughter, Ingebrog Dedichen whom he lovingly called "Mamita" on good days and on bad days beat her so badly that her doctor tried to persuade her to sue. "He was raised in two of the most machismo environments in the world."

Unsurprisingly, when he married it was to Tina Livanos, the virginal 17-year-old daughter of a Greek shipping magnate. Shortly afterwards her sister Eugenia married his life-long rival, Niarchos. Tragedy in personal life usually makes a character more sympathetic but Onassis' ruthless determination to be a winner caused tragedy in those around him without in any way altering his point of view. Eugenia's death from questionable causes was followed by the divorced Tina's marriage to Niarchos and her death. Onassis' only son, Alexander was killed in an aeroplane crash which Onassis persisted as seeing as murder, while his daughter made numerous suicide bids and married against her father's wishes. Both his serious relationships subsequent to Tina, with Maria Callas and Jacky Kennedy, gave him only fleeting satisfaction and them even less—although the last Mrs Onassis seems to have given nearly as good as she got.

If his private life was based on a grab and smash mentality his business career had even less moral foundation nor was he ashamed of admitting it. "The best deals," he declared shortly after he had narrowly avoided criminal charges in America, "never stand up to moral scrutiny. Every businessman and politician in the world knows that." Just as some people look for the good in a fellow human being until the opposite is proved, Onassis assumed the worst and was usually proved right. Everyone could be bought—at one level or another. A great British Prime Minister like Winston Churchill could be bought as a yacht-guest, an ex-wife of an American President could be bought as a wife, a dedicated opera singer could be transformed into a besotted mistress. To say Onassis was a snob would be an understatement; it was more as if he were playing a living game of consequences. He was the man who suggested and started fixing up his one-time enemy, Prince Rainier, with Marilyn Monroe as a bride—except that the Prince (who also happened to be the only person who got the better of him in business) found his own American princess.

Peter Evans suggests that the mainspring of Onassis' life was his love of a fight—whether this involved taking on governments or his daughter. Whatever he had, he must control absolutely. At the time he was negotiating a marriage settlement with Jacky Kennedy, he was also entering the final stages of a five hundred million dollar industrial deal with the military regime in Greece. By this time he was in his late sixties and in bad health.

It was around then that Peter Evans first met his subject, summoned, indeed, to ghost an autobiography. "I think it should read like a novel," he told Evans but when Evans retaliated by suggesting he saw himself as the hero, he contradicted him, "No—the villain. Villains always have the best parts." This biography, unauthorised but convincingly researched, brilliantly proves the point.

Rachel Billington

When the mark fell

THE GERMAN SLUMP: POLITICS AND ECONOMICS 1924-1936
by Harold James. Oxford £28.00, 469 pages

IN THE view of Harold James, now at Princeton, formerly Fellow in History of Peterhouse College, when the mark fell, the pre-war German economy was faced by a deep-rooted structural crisis which neither the Weimar nor the Nazi governments were able to cure.

After experiencing a period of rapid economic growth between 1850 and 1914, in which the state's share of the national income expanded, Germany faced not only the shock of the Great War but the characteristic problems of a mature and ageing economy. The signs of ossification and structural rigidity pre-dated the onset of economic crisis.

Agriculture demanded protection. Labour unions grew in power. The banks previously one of the engines of industrial growth, became increasingly conservative and the large corporations, trusts and cartels so important in the shaping of the German economy, ceased to take the risks necessary for innovation and expansion. In the Weimar period, the state was forced to cope with the problems produced by low growth rates and institutional rigidity. Economic questions became highly politicised; the need to bargain with conflicting economic interest groups limited the range of acceptable policies and led to decisions which encouraged rather than corrected the ossification process.

This overlap of economic and political decision-making led to increasing state intervention in the economic sphere. Given the high degree of instability and low growth rates in the German economy of the inter-war years, it was inevitable that the activities of the state should intensify rather than reduce the distributional conflicts between corporate interest groups.

With the banking crisis of 1931 these conflicts became so severe that they destroyed the unity of the interest-groups themselves and then the Weimar political system which had attempted to regulate the competition between them. Dr James insists on the economic continuity between the Weimar and Nazi periods and underlines the conservative nature of early Nazi economic policy. Recovery had already begun before Hitler seized power. The Nazis solved only the problem of unemployment and this came about as a consequence of cutting wage-costs rather than through a restructuring of the economy. Until 1936, both the economic goals and tactics of the Nazis were but an extension of Weimar practices. Nor were they any more successful in dealing with the underlying difficulties which had blocked economic growth and expansion.

The Nazis faced their own distributional conflicts as they failed to make good promises to contending groups of supporters but these emerged only as clashes within the Nazi party. In 1934, in 1936, and then later in 1943-44, economic tensions led to political upheavals which in turn resulted in a further strengthening of the state and greater interference with the economy. Because the Nazis failed radically to change the economic base of the state, increased government spending was not only politically useful but economically necessary.

Dr James argues that from 1924 until 1936 each breakdown in the interventionist mechanism only brought further state intervention without solving the basic institutional problems and social attitudes which underlay the poor performance of the German economy. His book can be read as a powerful argument against a Keynes-type demand management approach to the problems of depression and recovery though he is careful to underline the uniqueness of the German case both in its growth and maturation process. Yet it is hard to argue from the evidence he presents that a more laissez-faire approach was possible or that less government intervention would have eliminated those blockages to basic change which only the cataclysm of 1945 achieved. It is more than possible to learn the wrong lessons from the past.

Dr James has something new to say on almost every topic that he raises, the German inflation and hyperinflation, the role of public finance, the connection between the wage push of the 1920s and Germany's low growth rate, the banking crisis of 1931, the role of the heavy industrialists in Weimar politics. He adds considerably to our knowledge of the early Nazi economy, showing for instance, that the Nazis spent less than Weimar on work-creation schemes and that though twice this amount was spent on rearmament between 1933 and 1935, the sums involved were still relatively low, and had only a limited impact on Germany's industrial organisation.

The book's focus on the domestic circumstances limiting the growth of the German economy is in sharp contrast to the approach of the two most influential writers on the depression, W. A. Lewis and Charles Kindleberger, who stress rather the international factors which limited the range of Weimar options. Elsewhere Dr James summarises the often contradictory readings of the German depression, a subject which commands contemporary as well as historical interest in the light of our present situation. But Dr James is never content with mere statement. Using a wide range of primary sources, he treats these debates creatively, arriving at his own conclusions and opening up new lines of thought and argument.

Full of admiration as I am for the author's thoroughness and originality in breaking new ground, it must be said that Dr James has done little to assist the reader in putting together a composite picture of the German depression. He often fails to underline his general conclusions or does so in a manner which assumes more knowledge than any but the specialist will possess. If the topical approach adopted for the Weimar period allows for argument in depth, it will also discourage many interested students.

There are indications in this book that Dr James could write on this subject for the non-specialist. Some intelligent publisher should now commission him so to do.

Zara Steiner

Fiction

Exiles who want to go home

THE HOTTENTOT ROOM
by Christopher Hope. Heinemann £9.95. 218 pages

THE HOTTENTOT ROOM of Christopher Hope's new novel is a bar in London for the expatriate and the emancipated, and it is a place where serious ties are not encouraged. Like the Hottentot quoted in the motto, kidnapped to London in the seventeenth century, these people only know that they want to go home, so they have love-affairs rather than love. But when home is pre-war Germany or Hungary, or white South Africa, it is a nagging question whether it is there any more — or, for South Africans, whether it will be there for much longer.

The parallel between Hitler's Germany and Botha's South Africa is the foundation of the story, but Mr Hope has rightly decided that parallel lines can meet, for once: not just in the sense that both states are racialist, but in the more interesting sense that both of them are doomed. His hero, Looper, is deported to London from Transvaal in the mid-1970s — a liberal journalist who had gone too far, what with handing out leaflets and hiding people. Once in a London which, afraid of growing cold and old, he does not like, he gets engaged to one young woman and goes to bed with another, and one serious enough to wear cotton vests and read the writings of F. R. Leavis. A vestal virgin, as the wits call her. In fact, the novel begins so witlessly and inconsequentially that you are left wondering if it can have any consequences at all.

It can. After a long flashback into a South African childhood, where we are shown apartheid as it might be lived by a white child, the book moves into the shallow, shifting societies of expatriate London clubs, all purveyed in a cool tone that looks callous and sometimes is. Bang up to date, though: Dr David Owen is already the leader of the Social Democratic Party, though better remembered by South Africans like Looper as Foreign Secretary during the Rhodesia crisis. But the novel only turns arresting when an old lady tells her story. A pre-war Berliner married to an ambitious Gestapo officer, Katie is discovered to be Jewish by ancestry, and her husband thoughtfully gives her a pistol with which, already pregnant and in hiding, she gamely shoots not herself but the Gestapo officer who comes to arrest her, escaping that night to Sweden and England. As she tells her story — and as a Hungarian refugee from the same war years tells his — the resemblance between the central European experiment in racial disharmony and the South African grows alarmingly clear.

Christopher Hope: regimes of doom

So are the expatriate problems they both give rise to. The old Berliner Katie, like Looper the young South African, only wants to go home. They are Hottentots. So he takes her home, obligingly and in a manner of speaking, after her death. He takes her ashes to Berlin, only to find that the house where she once hid now lies on the eastern side, beyond the Wall. Of course Katie never saw the Wall. But a tourist trip into east Berlin solves that, and her ashes are scattered through driving snow to their last resting-place in home soil. Honour is satisfied, in the end — both hers and his.

Or perhaps not. For what we return to, if we do, is forever changed, just as the Berlin Wall has changed Berlin, and as the fall of apartheid will some day change South Africa. And though you may go back, you will never go back to what you remember. Salisbury is now called Harare, thanks to Dr Owen, among others; and it is a question whether Katie would even recognise the city she once loved and for so long refused to leave. "Haven't you ever seen a wall before?" reads the mocking graffiti on the Wall that now dissects the very street where she lived in hiding and shot the man who tried to arrest her with a pistol her husband had meant for her own suicide, locking his body into the cupboard where she had long sheltered. In Germany, as she remarks cheerfully in her London exile, we have real skeletons in the cupboard.

Mr Hope, an expatriate South African himself, has written a novel that strengthens as it goes, and the final scattering of the ashes is a poignant moment where all the threads of his story, or all that matter, suddenly become one. This is a book to remind Londoners how many live gratefully but unwillingly among us, like Marx and Freud in their day, longing till death for a lost world beyond the seas that is no longer there to be had.

George Watson

Rainy day in Auckland

THE DEATH OF THE BODY
by C. K. Stead. Collins £9.95 224 pages

PLAYING GAMES with your readers can be a dangerous pastime, especially if you warn them in the first pages that they may be "bored, irritated, disapproving" and that the best they can hope for is, in due course, to "get back where we began."

The Death of the Body will appeal to lovers of the wayward novel game as it is played by Laurence Sterne or Italo Calvino, writers for whom a light-hearted romp through the nature of story-telling is every bit as exciting and amusing as the fiction itself. Supremely self-conscious, C. K. Stead (don at the University of Auckland, author of The New Poetic) builds up Chinese boxes of a plot, interweaving and overlapping tales whose relation to one another is deliberately confusing.

The fictional landscape here is the palaces of thought in the narrator's mind, which take him, compulsively, from Aucland to London to Milan to Copenhagen. On each journey he is accompanied by "the voice of the Story" which struggling in its blue folder, starts to determine what is hapening in his own life.

So involved is Stead with the rambling reflections of his narrator that he has little energy left for his protagonists. Against all the odds, though, Harry Butler, Professor of Philosophy at the University of Auckland, and obsessed with the mind/body problem, manages to be interesting.

Despite Stead's unconcealed aversion to plain narrative—he uses the jargon of film, photography every other art form he can think of, in fact, to avoid telling the story straight—we gradually acquire a beautifully precise, detailed knowledge of the problems of a well-meaning, emotional, weak-willed, randy academic.

There is much fine writing here—the description of the rainy Saturday in Auckland is a delicately poised, almost lyrical vignette—but also some clumsy touches. Where Stead goes seriously wrong, though, is in never really bringing together the complexities of his subplot, leaving us with a conundrum created out of a series of fragments.

Jackie Wullschläger

CRIME

UNUSUAL BEHAVIOUR
by Lettice Cooper. Gollancz, £8.95. 175 pages

AN EVIL HOUR
by Jill McGown Macmillan. £8.50. 250 pages

AN APPARENTLY peaceful neighbourhood is suspected in Unusual Behaviour of harbouring IRA bomb-makers. Its residents—including a retired opera-singer, an upwardly-mobile couple with a child, some squatters, a hard-up developer—are examined by the police and, magisterially, by the venerable, keen Lettice Cooper (b. 1897). The detectives are also submitted to the author's compassionate scrutiny. A wise and well-observed book, written with grace.

In An Evil Hour an MP is killed in his London flat. A taxi-driver is similarly murdered near a coastal town. Hotel-manager Annie Maddox, widow, mother, and former mistress of the MP, becomes the focal-point of the investigation; and risks being yet another victim. Annie is a fine creation: intelligent, hard-headed, yet vulnerable. She is supported by a strong cast, in a well-described setting (the wintry sea is an important presence in the unfolding of the story).

William Weaver

Mitford magic glows again

A TALENT TO ANNOY: ESSAYS, JOURNALISM AND REVIEWS
by Nancy Mitford, edited by Charlotte Mosley. Hamish Hamilton. £12.50. 217 pages

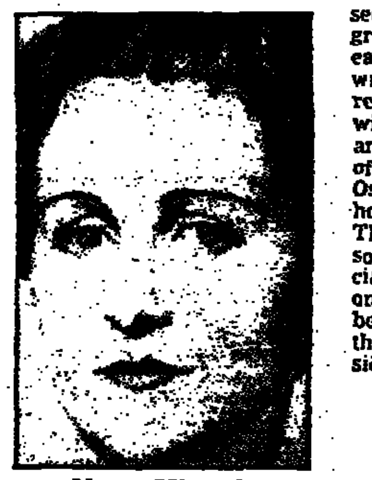
NANCY MITFORD'S spontaneous wit, sparked by events of the day, tasted in Harold Acton's Memoir of her in 1975, with its abundant quotations from her correspondence, shines forth again heart-warmingly in this fresh collection of her occasional articles and reviews. She wrote a couple of Diary pieces for the Spectator in 1968 during the student riots in Paris. The riots ended abruptly and the students "were out in the streets again this morning, beautiful and polite, collecting money for the old — to give a Molotov cocktail party for them, I expect, said I."

One cannot truly call this kind of wisecracking, with which the whole collection is peppered, A Talent to Annoy. It makes her sound like a female Noël Coward which she certainly was not. A Tendency to Tease—if you like, but even that would only cover much less than the half of it. Two articles here, one written in her salad days for The Lady in 1930 on Wagner at Covent Garden, and another on Ireland in 1962 (previously reprinted in The Water Beetle, her own less comprehensive selection of her articles) *were* calculated to annoy. If only all annoyances were so hilarious.

In the rest, taken from the Sunday papers and serious weeklies, the dominant tone is high-spirited perceptiveness, appreciative and acerbic by turns. She began writing articles when she lived in London while working by day at Heywood Hill's bookshop in Curzon Street and scribbling by night: she continued to write the odd article after the war when she was living in France, now a famous writer, and bombarded by requests from editors. A genuine love of France arises from many of them, a love, as we now know from Selina Hastings's book, that was rooted in a grand passion for the Free French colonel she had met in wartime London.

Offshoots from her work as a writer of historical portraits, including a long, uncharacteristically ponderous essay on Carlyle and Frederick the Great for History Today reveal what a conscientious researcher she was. In this vein there is also a deeply felt account of the last days of Captain Scott. He was one of her great heroes. She admired real heroism as much as she liked to puncture the sham version.

Inevitably, there is a re-print of her Encounter essay on the English Aristocracy and in it the rescue, from the obscurity of a Finnish journal of philology, of the original set of U and Non-U indicators in speech which set post-war Britain off on one of its most long-running trivial pursuits. In spite of her interest in language, evident throughout the book, and her love of reading (her second great love after the colonel) Nancy Mitford was not an eager reviewer of other people's books unlike some novelists. She could however be persuaded, and there are examples here of subtle, concise, fairminded work in this form. Particularly interesting is her review of the Letters of Mme de Sévigné translated by her old friend Violet Hammersley.



Nancy Mitford: French loves

When I was running the book section of the Sunday Telegraph a long time ago I was eager to commission her to write a review. After several rejected invitations I scored with a book entitled The Sphinx and Her Circle. It was a memoir of the novelist and friend of Oscar Wilde, Ada Leverson by her daughter Violet Wyndham. The review she wrote shows not so much Nancy Mitford's appreciation of Ada Leverson (surely one of her own literary forebears) as her intense dislike of the whole cult of the fin de siècle.

> London society [she writes] has never known a sillier period than the years when it was lionising Oscar Wilde. Silliness spread like a patch of oil: it affected all but the greatest men of the day, and did much to spoil the charming talent of Wilde himself.

And so on. Unfortunately you will not find this review in the present book. Either the editor, Charlotte Mosley, overlooked it, or she did not consider it worth including. Either way I think it is a great pity, but then obviously I am prejudiced. Otherwise the editor had done well by all admirers of Nancy Mitford in resuscitating the best of her fugitive writings.

Anthony Curtis

Venice does not have enough movies or venues says Nigel Andrews, reporting the deprivations of this year's film festival


Scene from Orson Welles's unfinished 1942 film, It's All True

Down and out on the Adriatic

THERE IS an old Adriatic proverb—ten years old at least—that whenever Venice stops sinking the Venice Film Festival starts doing so instead.

So it seems in 1986. While the floating city boasts a rare stability, the Mostra del Cinema is sinking fast. Last year everyone complained of poor movie presentation: sound, projection and the like. This year festival director Gian Luigi Rondi has responded by closing all but three screens. This makes Venice, though qualitatively less flawed, quantitatively the most deprived major festival in the world. There are not enough films and not enough places to see what films there are.

Last year's most promising experiment, a giant movie tent to hold overflow viewers for major films, has been abandoned altogether. Too many complaints, said Rondi, of traffic noise from the adjoining road. So why did they not move the tent to a quieter spot—a park or even a beach?

One cannot help feeling that a peculiar revenge is being enacted on the critic who complains of poor facilities: instead of improving them, the festival just scraps them. One hardly dares venture a complaint about the surviving venues: one good theatre (the Sala Grande), one OK (the Volpi), and one converted hotel ballroom (the Excelsior) with projector noise as loud as a cicada. Any hint of dissatisfaction with these and one fears one will return next year to find every festival building razed to the ground.

Meanwhile Venice tackles the problem common to all current festivals: poor product. It is doldrums time in international cinema, and this year's main competition looks like an egg-and-spoon race confined to plucky veterans and unheard-of newcomers. Rohmer, Resnais, Tavernier, Comencini and Uncle Mike Nichols prop up the old reliables, while tyros come to challenge them from countries like Finland, Spain and Hungary.

Rohmer and Resnais, a regular double act at Venice, provided films of soothing mastery if not great excitement. Rohmer's *Le Rayon Vert* is the fifth of his "comedies and proverbs" series (one to go). Like his last film *Nuits de la Pleine Lune*, it sends a flustered heroine spinning around the map of emotional possibility like an impulsively propelled pinball.

It is high summer and Delphine (Marie Riviere), having broken up with her fiance, has to find someone to go on holiday with. Or somewhere to go. So she foists herself successively on friends in Normandy, on her ex-fiance's chalet in the ski mountains, on a solo weekend in Biarritz. What she seeks is romance. What she gets is a charming waif's progress, with improvised dialogue lending a rough and headlong charm.

While Rohmer freewheels, Resnais becomes ever more hothouse and hermetic. *Melo* is his set-bound version of a romantic melodrama, set in the 1920s, by playwright Henry Bernstein. Bernstein on this evidence is a sort of Schnitzler without the Wiener. Tragic cynicism *à la française* replaces bitter-sweet *gemuetlichkeit*, as adulterous passion flames between Romaine (Sabine Azema) and Marcel (Andre Dussollier). Romaine's husband (Pierre Arditi) lies ill and ignorant, causing the girl rending inner battles between her conscience and her new love vows.

As with most good French melodramas, she faces the choice between ending up insane or in the Seine. She does the honourable, watery thing. This leaves the final half-hour — and tip-top stuff it is — for husband and lover to have a showdown in the latter's art deco flat, which looks as if it was designed by Mondrain with frequent suggestions by Charles Rennie Mackintosh.

Mostly as formal as a waistcoat, and sometimes as suffocating as a straitjacket, the film none the less has a real dark, choking romanticism. The theatrical framework is highlighted rather than hidden: a red curtain between acts, credit titles engraved on the turning pages of a playbill. But the performances turn these mannequins of manner into real people, and the film is recognisably from the same high-style formalist who made *Last Year in Marienbad*.

Resnais's stylisation probes far deeper into human experience than the stabs at realism seen in the festival so far. Ken Loach's *Fatherland*, a British competition entry made mostly in Germany, flounders multilingually through a Trevor Griffiths screenplay about a young East German (Gerulf Pannach) seeking a lost father who may or may not have worked for the Nazis and/or the CIA. (Confused? You will be).

The Loach naturalism, which created free-range films like *Kes* and *Looks and Smiles*, is here railroaded into a tendentious parable about the totalitarian conspiracy in the 20th century: a conspiracy which for Griffiths implicates Roosevelt's America as much as Hitler's Germany, Stalin's Russia or Ulbricht's GDR. Paranoiacs should love it. Filmgoers will find it as exciting as a congealed Wednesday Play shoved into the micro-wave.

Realism also gets poor shrift in Scott Goldstein's *Walls of Glass*. Here a Shakespeare-spouting cabbie (Philip Bosco) tours New York, having affairs and marital disasters, and holding forth between-whiles like a time-warped Paddy Chayevsky hero. Better is Peter Lilienthal's *The Poet's Silence*. Set in Tel-Aviv, this makes a harshly tender tale of the relationship between a backward son and a father who lost—but will perhaps re-find — his vocation to be a poet.

But it all seems ordinary stuff compared with two shorts shown on opening night. These came from beyond the grave. In tribute to Orson Welles we had his rediscovered 1958 TV documentary *Portrait of Gina* (Lollobrigida, that is), plus never-seen footage from his unfinished 1942 film *It's All True*. The first is an inspired piece of editing charlatanry as a Welles growling out questions from a New York studio pretends to be interviewing Vittorio de Sica and others in sunny Italy. The piece is filmed with whirlwind wit, revolving atlases and snatches of the Harry Lime theme.

It's All True was a four-episode film begun by Welles in South America but aborted by RKO after the flop of *The Magnificent Ambersons*. The footage shown comes from one episode: a truth-based survival story of four natives on a raft. No more than ten minutes were shown, but the shots are magisterially staged and composed: a glimpse of a movie giant at work before a movie industry set out to cut him down to size.

Seeking help from the public purse

Next week sees the Arts Council's annual appeal. Antony Thorncroft looks at the possibilities.

NEXT WEEK Mrs Thatcher, along with other MPs, selected peers and the good and the great, can expect an item of unsolicited mail on her doorstep. It is the Arts Council's annual request for money, couched, it is hoped, in such a convincing manner that the PM will immediately ask the Chancellor of the Exchequer to come across with the readies.

This is the second year in which the Arts Council has made known its demand publicly and persuasively. It worked well enough in 1985, and this time round it is using many of the same arguments in its application for at least £180m.—last year it got £135m. Whatever the outcome it is clever public relations: it shows that the council is fighting hard for its clients. Only two years ago it was widely regarded as the Government's poodle.

Now the council is cleverly stealing the Government's clothes. The Arts Minister, Mr Richard Luce, is regularly banging on about joint funding, that the arts should be paid for partly by the Government, through the Arts Council, but also by private enterprise, through corporate sponsorship, and individual patronage. The Arts Council picks up this theme of joint funding and partnership and devotes much of its document to case histories of how plural funding by the council, with such partners as local authorities, business, tourist boards, etc, has produced marvellous results.

With this evidence the Arts Council repeats its plea of 1985 — with a little extra Government aid to oil the wheels other potential supporters of the arts will rally round to produce substantial returns. So for 1987-88, on top of a basic rise to take care of inflation (which is always greater in the arts), the council is also seeking new money for growth.

It is also seeking to squeeze extra "replacement" cash from the Government. This year it received £25m more with which to make good the arts expenditure of the abolished metropolitan councils. This was less than the Mets actually spent on the arts but the Government argued that the successor authorities should make their contribution and the Arts Council set about fixing deals with such authorities. The results were excellent. In some areas, like the North-east, arts funding actually increased after abolition. In others, such as Merseyside, the successor councils were less forthcoming and expenditure fell slightly. But so far no arts organisation has gone out of business following the abolition of the Mets—in spite of all the dire warnings.

The Arts Council was so encouraged by its contacts with local authorities that it has, to some extent, re-thought its whole strategy. In the analogy of its chairman, Sir William Rees-Mogg, it used to see itself as a clearing bank to which clients came to withdraw money for their needs. Now it has become a merchant bank, fixing deals with a range of other interested parties, most notably the local authorities (who give more to the arts anyway). So the Arts Council seeks to act as a conduit for the financing of the arts rather than as the fountain-head.

To preserve this posture it is asking for more money. The Government announced last year that it would steadily reduce "replacement" money. For 1987-88 it would be £21m. The Arts Council does not think that local authorities will be able to be so generous in their arts funding next year and wants the minister to retain last years support of £25m. Failure to do so, it claims, will lead to the demise of arts organisations.

The Arts Council hopes to know the result of its lobbying by late November. It should get a reasonable increase — there is a general election on the horizon — but not all it seeks. Whatever the outcome it will be Sir William Rees-Moggs' last grant. He retires at the end of April. During his term as chairman this non-interventionist has discoverd the need for Government subsidy — at least in the arts. He thinks that the financial return from the stimulation of the economy through arts activity makes this a good investment.

Some unlikely names have been aired for Sir William's successor, including that of Lord Gowrie, a former Arts Minister, and Jeffrey Archer, who seems destined for a transfer. The best bet, and the favourite candidate of the council, must be Sir Denis Forman of Granada. He is no supporter of the Government but a non-partisan appointment would look good in the run up to the election.

Summertime blues

After some difficult months the West End has hopes of a more buoyant autumn

IF YOU are thinking of going to see Jack Lemmon in *Long Day's Journey into Night* this evening at the Haymarket Theatre, or Faye Dunaway in *Circe & Bravo* at Wyndhams, forget it. There may not be so many American tourists packing West End theatres (in past summers they could account for half the audience), but American stars are providing the high spots during some rather depressing months for London's theatrical community.

It will be some time before the facts are gathered in but, at this stage, it is unlikely that 1986 will top last year's West End audience of 10.8m admissions. This was an 8 per cent gain on 1984, so just to maintain the upturn of recent years is some achievement, especially after the hiccup in American tourism in the early summer.

June was a particularly bad month, although hot weather and England's better-than-expected progress in the World Cup were probably just as important in reducing audiences as fewer US visitors. Things have picked up since but more than ever it is the quality of the product that determines its success. Wander down Shaftesbury Avenue tonight and you will have little chance of buying a ticket for *I'm not Rappaport* at the Apollo, but next door at the Globe, and along the way at Queen's, you should be accommodated by *Lend me a Tenor* and *Wonderful Town*.

All three theatres are owned by Stoll Moss. Its chief executive, Louis Benjamin, hopes that if you can't get into your first choice of play the adjacent theatres will be offering something to your taste: it is planned that way. This is in line with the more improved marketing which has hit the West End in recent years.

Stoll Moss is taking seriously its dominant position in London theatre. The company, controlled by Mr Robert Holmes à Court, now has 12 theatres and is negotiating to buy the Cambridge. Already it controls a third of all the seats in the West End, and is looking for more—it would very much like to acquire the Lyceum, currently owned by Mecca and last used as a dance hall. Failing this it is examining the possibility of building a small theatre at the rear of its flagship, Drury Lane.

Stoll Moss is protecting its investment, spending over £6m in the next five years on such belated blessings as air cooling and improving the bars—an important step, for a theatre owner can earn as much from front-of-house sale of drinks, etc, as from rent.

Undoubtedly the fact that the West End is now in the hands of committed theatrical companies rather than property speculators accounts for the quiet phase it has entered. In the old days if a production did not reach its weekly financial target it received notice. Now, because theatre owners and producers have developed such close ties (and are sometimes the same people) a play is likely to be nursed through hard times. So there are productions currently losing money—a classic is the musical *Mutiny* soon to close after a 15-month run which failed to recoup its costs.

This more sympathetic approach makes things difficult for the productions queuing up for a West End theatre. In 1986, on average, 42 of the 46 theatres owned by members of the Society of West End Theatre have been open for business (as against 43 last year and 37 in 1983) which is good news for the acting profession but is hard on newcomers. Perhaps, if there is not the traditional upturn in business by the autumn, some of the weaker vehicles will then be laid to rest.

One thing seems certain: there will not be so many new musicals. *Cats* and *Starlight Express* remain difficult to get into but there are not enough large) available theatres to justify a £2m investment in a major musical—it would need a three-year run, at least, to get its money back. It is the shortage of large theatres which makes the Lyceum such an attraction; it is believed the management of Covent Garden is taking a hard look at it as an alternative (and convenient) venue for when the Opera House closes for two years for stage improvements at the end of the decade, although it would still prefer to squat in Drury Lane.

If 1986 has proved slightly disappointing for the West End after the substantial improvement in business in the previous two years it has shown that the theatre can get by with a reduced American presence. The shortfall has been made good partly by Continental tourists but mainly by a re-discovery of the theatre by the British.

More sophisticated marketing methods, especially the ease with which tickets can be bought by credit card through computerised booths, are transforming the business. Ticketmaster, which has established outlets in W. H. Smith and Our Price, reckons that 40 per cent of theatre tickets are now bought by credit card; the days of queuing at a box office may soon be over. So we have managements more committed to the long-term future of the theatre, and improved marketing techniques; all we need now are better plays.

Antony Thorncroft


Jack Lemmon in Long Day's Journey into Night


Pictures by Alastair Muir

Faye Dunaway in Circe & Bravo

Video

A hit among the rejects

QUESTION: what happens in today's Hollywood to a youth movie made with wit, wisdom and imagination? Answer: it falls to get distributed in cinemas and after a long delay is thrown into the video shops.

Just such a film is *Fandango* (Warners), your VCR must of the month. A year ago at the Venice Film Festival this superb debut by writer-director Kevin Reynolds, produced by Steven Spielberg's company, was the hit of the US movies. In the summer of 1971 two college boys on Vietnam call-up go on a valedictory bender with two friends. Whooping it up by car all the way to Mexico, they enjoy a series of weird adventures—parachute jumps, firework battles, an all-night bivouac in the ruined Texas mansion built for *Giant*, a tryst with a mysterious friend called "Dom"—and end by making the alarming discovery that they have all grown up by journey's end.

Baldly summarised, the film may sound like just another "brat pack" picture, one of those movies going round with titles like "St Elmo's Weird Science Class of 69." But Reynolds creates a road movie with its own surreal rhythms and sense of mystery. The audience is always puzzled where the film is going, it always wants to follow and it is always surprised by what it finds. Too surprised for the distributors' taste, who obviously could not palate the frequent note of poetic anti-climax which informs this fable of growing up. (Even "Dom" turns out to be not a human friend but a bottle of champagne buried years before by one of the pals.) The film is a tender, funny parable of disenchantment—and of the new enchantments of adulthood—and it is superbly acted by Kevin Costner and Judd Nelson.

Wisdom and maturity are the last things aimed at by some performers. Britishers can now see Eddie Murphy in his original star-making career mode as a stand-up comic. In *Delirious* (CIC) he lopes on to the stage in a shiny fuchsia jumpsuit, rolls his eyes and flashes his glittering teeth, and treats us to an hour or so of quips, imitations, shaggy-dog stories and caustic blasts at America today.

Be warned: the language is racy (to put it mildly). And be warned too: Murphy is not as crowd-pleasingly versatile with voice and body as fellow black comic Richard Pryor. But it is still whirlwind stuff, far livelier and more inventive than Murphy's popular but puerile move smash, *Beverly Hills Cop*.

Elsewhere September is the kindest month, ushering in strong new releases after a summer mostly devoted to rubbish and golden oldies. John Huston's sparkling Mafia black comedy *Prizzi's Honour* (Embassy) shows that the family that slays together stays together. Michael Cimino's Chinatown thriller *Year Of The Dragon* (Cannon) does not wear a smile but packs a mighty punch. *The Butcher* is a modern classic, French director Claude Chabrol's humanist whodunnit about murders in the Dordogne. And Paul Schrader's *Mishima* (Warners) mixes fact and fiction as it depicts the career, Samurai code and suicide of Japan's most famous modern writer.

There is less violence in Michael Powell's Edenic love fable *Age Of Consent* (RCA/Columbia), where Aussie artist James Mason bumps into nubile Helen Mirren on the Great Barrier Reef and it is love at first bight. But there is more violence in *Daffy Duck—Hollywood Daffy*. MGM/UA have the cheek to celebrate Donald Duck's 50th birthday this year by issuing an anthology of his distempered, black-feathered rival. Good for them. I prefer Daffy.

Nigel Andrews

A house built for show

AS THE LIST of British houses open to the public grows year by year, the question of whether a house is "presentable" becomes more and more pertinent. The sagas of Monkton (lost) and Charleston (saved) have illustrated the problems of small often inaccesible houses intimately connected with particular people and eras, but hard to animate beyond that period.

If ever there was a case of the problem of presenting eccentricity, once the eccentrics in question have departed centre stage, surely it is Calke Abbey, in Derbyshire. Vast sums of public money have gone into what an increasing number of people (especially those who have seen the place) consider is a bottomless hole of questionable value. Erdigg, the National Trust's first exercise in potted oddity, works well because it can offer many other attractions, while the shadows of charming decay can be confined to one corner.

I mention these rescues, both attempted and accomplished, because Kedleston the most recent house on the list of urgent appeals for funding is clearly in quite another category. Here is a house which lends itself to public view laregly because it was built and designed, at least in part, with that in mind. It was built as much as a museum as a house; a wholehearted exercise in display, and a demonstration or academic neo-classicism for the delight of a

Kedleston is above all the outstanding monument to the skills of Robert Adam, the first complete house in "Adam style" and designed by a 32-year-old architect freshly home from Rome and the classical sites of Europe. Like Kent before him, Adam's houses were a complete expression of his skills.

His attentions ran the gamut, from doorknobs to those intricate plasterwork ceilings. No detail of the furnishings was too minute or unimportant to escape attention and so, without later alterations or loss of the original fittings, Kedleston stands as a complete memorial to extraordinary versatility. It also commemorates the perspicacity of Sir Nathaniel Curzon, 1st Baron Scarsdale, in his choice of architect.

With contributions from Lord Scarsdale himself, the National Heritage Memorial Fund and National Trust sources, totalling £17m, the race is now on to find the final £2m required to secure a future for the house. The National Trust has mounted an appeal in both this country and the US. The sum must be raised within a year. The funds are needed for particular items of furniture, including the remarkable sofas made by John Linnell to Adam's designs and the set of pier glasses and furniture by Adam for the State Boudoir, in which the theme of palm trees is reiterated on every piece. Kedleston Hall, shorn of these items, would be a poor echo of its former self.

Kedleston Hall also has a magnificent landscape setting complete with lake and incidental Adam buildings such as the bridge and boathouse. It has additional interest through the Indian connection, forged by George Curzon, Viceroy of India between 1895 and 1905 and later Foreign Secretary. Commemorating this, a small Indian Museum presents trophies of that epoch.

From the first glimpse of the breathtaking Marble Hall, one is aware that Kedleston Hall was built above all else for show. That so little has been removed or altered since 1759 is a stroke of good fortune that few great houses can share; it remains virtually intact despite some redecoration "under previous management" in shades which might be mistaken for a punk attack on the sensibilities. Other decorations are in the Edwardian taste, and as such, have their own interest as reminders of the revival of the Adam style at that period.

Gillian Darley

Solution to Chess No. 636

1 Q-R1 (threat 2 N-N4). If 1 . . . N-K2; 2 R-Q8, or if N-N2; 2 Q-R8, or if NxQP; 2 QxN, or if N(B4) other; 2 BxP, or if NxBP; 2 BxN, or if N-B3 or

Radio

Shaw across the globe

GLOBE THEATRE is the BBC's World Theatre of the air. It is said to have been suggested by *It's Your World*, the series of phone-ins that ran on Sunday mornings, attracting patrons from all over the globe. Assured of such worldwide listening, Radio 4 and the World Service are to put out a series of six plays. It began on Sunday at 2.30 pm British Summer Time with *Pygmalion*, of which more in a moment. It continues tomorrow with Chekhov's *The Seagull*. Then follow *All My Sons* by Arthur Miller, *Six Characters in Search of an Author* by Pirandello, *The Miser* by Molière and *An Enemy of the People* by Ibsen. Britain, America, Russia, Italy, France, Norway. Where is Germany? Where is Spain? Let us hope that their absence will mean that the series goes on.

Britain began very well with a fine *Pygmalion* directed by John Tydeman. He chose Simon Cadell as his Higgins, a younger man than we are used to — to hear, at any rate. Shaw says "forty or thereabouts," and Mr Cadell, like television's current Sherlock Holmes, does well to remind us that our heroes are not always as old as we think. He gave a knowing performance, blending the arrogant and the jocular to make Higgins likeable when need be and detestable when (more often) that was in order.

Imelda Staunton did well in the more difficult part of Eliza. Her Cockney was gratifyingly unlike the absurd phonetics that Shaw wanted; in her dispute with Higgins after the garden-party there was still a touch of artifice in her correct speech; in the final scene in Mrs Higgins's drawing-room she was faultlessly middle-class, and why she allowed herself a "'Enry 'Iggins" where Shaw wrote both the h's, is her own business. There were a few lines of extra dialogue at the end representing the long essay that Shaw wrote to tell how he thought the affair would end. We don't need these in the theatre, unless we think we are at *My Fair Lady*, and we do not need them on the air.

Germany was given us by Radio 3 on Tuesday with *Out of the Depths I Call* by Theodor Weissenborn (translated by Peter Tegel). It was a fairly simple piece about a "spiritual counsellor," what we know as a Samaritan, who endeavours to give telephonic consolation to callers who are reluctant to tell why they are calling. Between the calls, we heard the voices of several people describing the afflictions that have led them to the telephone, or to something more final.

And Italy the previous week, also from Radio 3, with Goldoni's *Mirandolina*, adapted by Roy Kift from *La Locandiera*, an amusing trifle about the efforts of David Warner, Michael Aldridge, Stratford Johns and James Aubrey to seduce the young innkeeper Mirandolina (Josette Simon). Some fairly ordinary fun, nicely played.

Saturday Night Theatre has been looking up a bit lately. John Antrobus's *Loonics* was a happy farce. The eccentric actor Arnold Gosport (one of the Gosports from Rattigan's *Harlequinade*?) comes home for his daughter's 21st birthday party to find the house occupied by two escaped lunatics, who have hidden a body in the piano. Gosport has the body of is agent in the boot of his car.

Telling the plot of a farce is a hopeless quest, but at least this one keeps to the basic rule that, however unlikely the events, the characters are kept straight. Gosport was played by Robert Stephens, and the director was Gerry Jones.

On the previous Saturday, the holiday weekend was marked with a re-broadcast of *Leave It to Psmith*, Wodehouse arranged by Michael Bakewell, with Michael Hordern as Lord Emsworth and Simon Ward as Psmith, and the matchless voice of John Gielgud as Wodehouse himself. And on the Saturday before that, there was David Halliwell's piece about a man who had apparently sent a parcel-bomb to himself. It was a welcome break from that usual series of police stories, even though, in one way or another, crime was around in two of the three.

B. A. Young

WEEKEND FT

•SPORT•

America's Cup/**Keith Wheatley** reports from West Australia on preparations for yachting's biggest contest

Watch out for old men in fast boats

CYCLING home beside Fremantle harbour earlier this week I counted the masts of twenty-one 12-metre yachts, while six more are due to arrive within the next few days. On the busiest day of the America's Cup in Newport in 1983 there might, perhaps, have been a dozen Twelves moored in the town.

Dennis Conner, the granddaddy of the sport and the man who lost the Cup to Australia in 1983, was taken aback when he arrived to begin trials with his two boats. Within hours of his Stars and Stripes '85 hitting the water, Conner was involved in short races with British, Italian and Australian yachts. "My losing might have been the best thing that ever happened for the America's Cup and the development of sailing as a whole," said Conner, in a reflective and happy mood. "On September 27 1983, at Rhode Island, I didn't have the vision to know that we would ever see all this off Fremantle.

"It used to be a sailing race. Now it's a contest of life, if you will. Funding, strategy, research, crew development and then sailing. It's a bit awesome."

Conner, whose involvement with the America's Cup goes back to the 1974 defence by Courageous, was jovial, for on the whole the atmosphere in Fremantle is more carnival than front-line. It may change, however, as the pressure mounts on syndicates which have spent an aggregate of A$220m (£95m) to challenge for yachting's best-known trophy.

A recent incident when the New Zealand tender ploughed into a charter boat caused protests to the West Australian Government. The boat was full of Japanese photographers trying to get close-ups of the new Kiwi yacht, KZ7. There is an unofficial convention between media and syndicates that the line between a 12-metre and her tender forms the radius of a No-Entry circle.

The Japanese had ignored this. Despite radio calls to move away, their craft went within yards of the vulnerable and secret KZ7. The collision occurred shortly afterwards. "Things could get worse as more boats arrive," warned NZ challenge chairman Michael Fay.

Meanwhile, other syndicates had protested to the WA aviation authorities about the behaviour of the Kiwi helicopter. Lavishly funded by the Bank of New Zealand, the Auckland team even has its own chopper. Rivals have said it is flying low and spying on their boats.

There is plenty to spy on. Both of the main Australian teams, Alan Bond's unit, America's Cup Defence, and the Kookaburra syndicate, also of Perth, have launched new yachts within the past three weeks. So too has the New York Yacht Club.

Australia IV, the new 12-metre from Bond designer Ben Lexcen, is a big yacht. She is at the upper limit of the size range allowed by the complex 12-metre formula. Lexcen admits that his Australia II, the boat that won the Cup for Bond, would fit comfortably inside the new sister's hull.

She is designed to do well in heavy weather, including winds of over 20 knots. "Australia IV will do well in the upper range and have a long reach down into the lighter stuff," said Warren Jones, executive director of the Bond effort. It is his fourth Cup.

Chance put arch-rival Dennis Conner into the boatyard adjoining ACD on the Fremantle waterfront. "Dennis is putting his head into the lion's mouth," predicted Jones, who is highly respected by Conner. "He will try to match our efficiency and fail."

On the commercial front it is a war between the sponsors. Conner's men are seldom seen without a Budweiser tee-shirt. The Bond boats are towed out to sea by tenders Black Swan I and Black Swan II, painted in the black livery of Swan beer. Nearby, one entire wall of the Kookaburra sail loft is painted as a giant Fosters Lager billboard.

Just down the road the entire roof of the giant British Challenge boatshed is given over to a British Airways logo. None of the many cameramen flying over Fremantle each day can be in any doubt as to who is the major sponsor of the effort led by Harold Cudmore.

Universally known in America's Cup circles as "Crazy Harry," Cudmore attracts almost as much respect in this town as Dennis Conner. What everyone wants to know is whether he will go into the Cup with the revolutionary yacht referred to only as C2 or whether Cudmore will play safe and go for the pedigree of Crusader I.

The latter is from the drawing board of Ian Howlett, a 36-year-old from Beaulieu who has been designing 12-metres almost all his adult life. She is fast, good-mannered and reliable—but not more so than many other Twelves currently here.

Her sister ship is by scale-yacht designer David Hollom. At 75 feet she is probably the longest 12-metre ever built. Reports say C2 is breathtakingly fast—in spurts. She will then fall "out of tune" and lose speed. A new keel, fabricated in the past week, may be the answer.

"Time will tell whether we risk taking this unusual beast into a match race," said Cudmore. "It's the classic dilemma."

Three American teams are here, with another three still to come. The New York Yacht Club is probably the best prepared, having trained off Fremantle since November 1984 and having built three new 12-metres. The most eccentric (and possibly the most fun) is the Yale-Corinthian team, which is still sailing the 1974 Courageous.

She has had a few modifications over the years, including the addition of the ubiquitous winged-keel, but is still fast. However, in an age of increasing professionalism, her crew of Yale alumnii looks a little quaint.

Skippers are becoming the rock-stars of this event. Television crews vie to interview them. Good-looking young helmsmen like John Kolius, lately of Texas and now steering for the NYYC, and Marc Pajot, of French Kiss, are incessantly on the covers of glossy magazines.

John Bertrand meanwhile has become a millionaire through winning the Cup for Bond and writing a best-selling book about it. His would-be successors all hope to do the same, fame and riches being the fuel for a life of hard labour and almost monastic dedication.

Yet some experienced observers doubt whether it will be a battle between the super-fit Young Turks. Dennis Conner, 43, and on his fifth Cup, was asked whether it was becoming an event for younger men. "An old man in a fast boat could look real smart out there," drawled the jowly—and perceptive—Californian.

ELIMINATION ROUNDS for the America's Cup begin on October 5, when 13 foreign syndicates start jostling for the right to challenge whichever Australian boat wins the right to defend the cup. There are six boats from the US, two each from France and Italy, and one each from the UK, Canada, and New Zealand. The Australian eliminations, involving four syndicates and six boats, begin on October 19, with the final sail-off (best of seven races) starting off Fremantle on Febraury 1.

Australia's Alan Bond

Open Tennis, Flushing Meadow/**John Barrett** reports

US bows to Europe's finest

THE TALKING point during the second week of the $3.4m US Open tennis championship has been the total eclipse of the American men. For the first time since tennis went open in 1968, only one American has reached the last eight. Bravely though 26-year-old left-hander Tim Wilkison played in beating No 5 seed Yannick Noah in the third round, his weaknesses on serve and passing shot were cruelly exposed by the No 4 seed, Stefan Edberg. The 20-year-old Swede is ranked fourth in the world, Wilknison 31 and that difference in class was apparent in the 6—3, 6—3, 6—3 win that carried Edberg to a fifth meeting against the holder and favourite, Ivan Lendl, in today's semi-final.

Of the seven Americans in the round of 16 only one, Brad Gilbert (15) was seeded and his resistance crumbled after a close first set against Lendl. It is curious to see a once-confident nation becoming so neurotic about its own shortcomings and about the successes of the Europeans, who fill all four semi-final places for the first time ever at these 106-year-old championships.

Incidentally, it is only the fourth time that the last four have all been foreigners. The other three occasions (1958, 1961 and 1966) coincided with the dominance of some great Australian players (Cooper, Fraser, Anderson, Laver, Emerson, Stolle and Newcombe) and the late Mike Sangster, who was the last British semi-finalist in the second of those three years.

After last year's tournament, when John McEnroe and Jimmy Connors were the only American quarter-finalists, the US Tennis Association announced plans to build a tennis school on the lines of some successful European establishments run by the national bodies — principally the two in France which have produced both Noah and the gifted Henri Leconte, who was a quarter-finalist here this year for the first time.

However, Alex Aitcheson, the Australian who was appointed to set up an American school after his successful management of Hy Zausner's Port Washington Tennis Academy where McEnroe, Peter Fleming and Vitas Gerulaitis all began their careers, has become despondent about the commitment of the USTA to the scheme. They seem reluctant to spend the $7m to $8m required to build a centre or to purchase an existing one like that of the Florida-based coach Nick Bolletteri, who would accept such a figure for his Brandenton Academy.

In past years the US college system, with its key ingredients of good coaching, excellent facilities and a concentrated programme of competition, has supplied a steady stream of embryo champions. Past NCAA winners include Ted Schroeder, Bob Falkenberg, Tony Trabert, Alex Olmedo, Arthur Ashe and Stan Smith, as well as Connors and McEnroe—all of whom became Wimbledon champions.

Today, however, fewer leading US juniors go on to college, and many who do drop out after one or two years. As one of them explained "I'd be 22 after four years of college with no ATP points. The good European kids who come up via the satellites (minor professional tournaments) have all got a ranking by the time they are 18."

The success of European players begins with national squads, each guided by an experienced coach, competing in the many tournaments and team competitions for all age groups which abound in Europe. Lendl and Edberg, Becker and Mecir, the four semi-finalists in New York today, have all come up through the European Junior Championships and competitions like the Borotra Cup (16 and under), the Valerio Cup (18 and under) and the Galea Cup (21 and under).

Great players, of course, will emerge whatever the scheme. Fred Perry would have been a champion wherever he had been born. But when talent and ambition are given ideal conditions, then you see the emergence of prodigies. I well remember Bjorn Borg's attitude as a 14-year-old on tours to the French Riviera for the spring tournaments. Lennart Bergelin, who had charge of a group of six young Swedes in those days, used to despair of ever getting Bjorn off the practice court in time to get his young group back to the hotel in the minibus in time for dinner. It was the sort of problem every national coach would love to have.

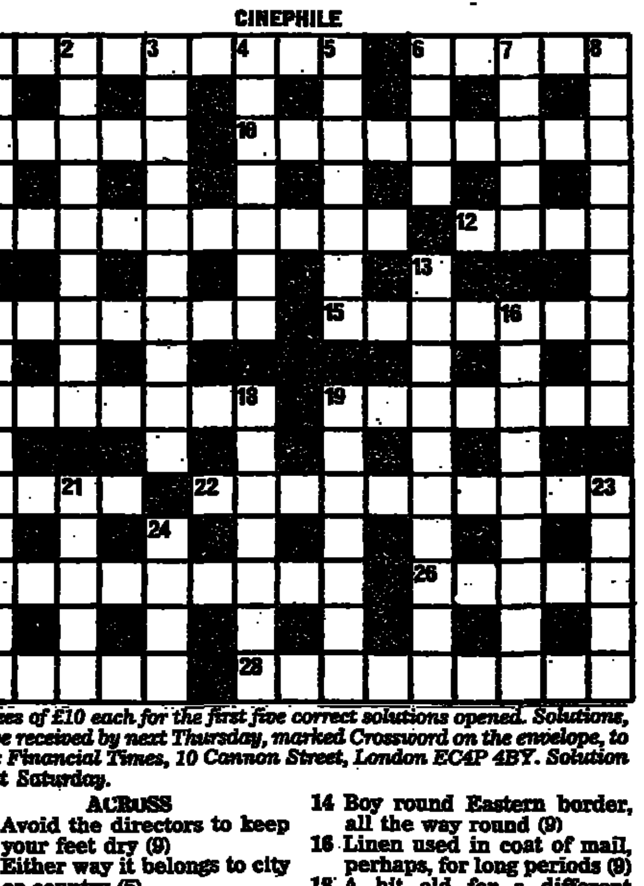
It is the same with the two fine young Germans, Boris Becker and Steffi Graf, who are both only truly happy when they are hitting tennis balls. Becker will need to be serving at his best to-day to end the run of the lowest seed, Miloslav Mecir (16), a Czech whose change of pace and effortless disguise off a flat two-handed backhand and a full, flowing forehand (so much like Bergelin's), plus exceptional touch on the volley, has continued to dismay the Swedes.

In the past two years Mecir has had 19 wins and only three losses against eight players from the champion nation. His destruction here of Mats Wilander (2) and Joakim Nystrom (7) has further exposed the limitations of these fine but stereotyped baseliners. Mecir's present form is remarkable considering he has had two knee operations following a football injury last October.

Lendl's task against Edberg will be no less testing than Becker's. The young Swede is serving with the same intimidating power that upended Lendl in the semi-final of last year's Australian Open, the last time they met. However, I believe that Lendl at last sees himself as the true world champion and will win both today and tomorrow's final.

FT CROSSWORD PUZZLE No. 6118

CINEPHILE



Prizes of £10 each for the first five correct solutions opened. Solutions, to be received by next Thursday, marked Crossword on the envelope, to The Financial Times, 10 Cannon Street, London EC4P 4BY. Solution next Saturday.

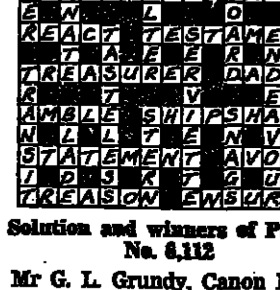
ACROSS

1 Avoid the directors to keep your feet dry (9)
6 Either way it belongs to city or country (5)
9 His 12 is 13 (5)
10 Sweet demonstration in which one can't go wrong? (9)
11 Home auctions arranged without consideration (10)
12, 20 House room for currency proving authentic (8)
14 Expression of appreciation and praise among part of audience (7)
15 Churchman, turned mad at heart, has a handle for safety (4, 3)
17 Apparent warmth of the false-hearted (3, 4)
19 Churchman's garb, we hear, is extra (7)
20 See 12
22 Not a bit upset about men getting acquisition (10)
25 A bod or two makes what I mustn't say (5, 4)
26 It takes two to get sunburnt on leave (5)
27 Be sovereign? Not absolutely! (5)
28 Portray fancy food shop, tidy to a point (9)

DOWN

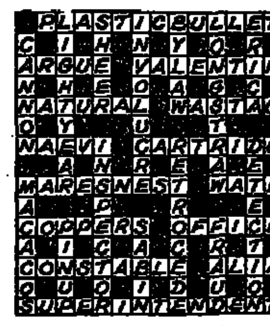
1 Give the title of "first class" to a sheikhdom (5)
2 Naked cast rendered useful at afternoon tea (4, 5)
3 Wines and food turning up with lingerie (10)
4 Cause distress to calf: fit may result (7)
5 Doctor had died at sea, perhaps (7)
6, 24 Small cloak for musical instrument amid heavy seas (4, 4)
7 Musical instrument in Twelfth Night (5)
8 Blow on course: they may be shot (4-5)
13 Nato man gets wedding present in cardboard box (10)
14 Boy round Eastern border, all the way round (9)
16 Linen used in coat of mail, perhaps, for long periods (9)
18 A bit old for a different paper? (7)
19 Scrutinise boy returning to school subject in play (7)
21, 23 Religious leader to endure (as some say) underground breeding-place (6-4)
24 See 6

Solution to Puzzle No. 6,117



Solution and winners of Puzzle No. 6,112

Mr G. L. Grundy, Canon Pyon, Herefordshire; Mr and Mrs D. Mendes Da Costa, Folkestone, Kent; Mr J. P. Ibbotson, Loughton, Essex; Mr Vaughan Richards, Haverhill, Suffolk; Mr J. S. Heaton, Keighley, W. Yorkshire.



TELEVISION AND RADIO

SATURDAY

† Indicates programmes in black and white

BBC 1
8.30 am The Clangers. 8.40 The Family-ness. 8.45 The Saturday Picture Show. 10.15 Grandstand featuring: 1.00 pm News; Cricket NatWest Bank Trophy Final: Sussex v Lancashire Athletics; Racing from Haydock; Eventing; Football "Focus" at 12.46 and score draws at 5.00. 5.05 News. 5.15 Regional programmes. 5.20 Roland Rat—the series. 5.45 Doctor Who.
6.10 Telly Addicts. 6.45 Every Second Counts. 7.20 The Russ Abbot Show. 7.50 Casualty. 8.40 Film: "Saturn 3" starring Kirk Douglas and Farrah Fawcett-Majors. 10.05 News and Sport. 10.20 Blott on the Landscape. 11.15 Film: "Relentless."

BBC 2
1.55 pm Film: "The Killing" starring Sterling Hayden, Elisha Cook and Timothy Carey. 3.15 Cricket: The NatWest Bank Trophy Final. Sussex v Lancashire from Lord's. 7.25 Newsview. 8.05 US Open Tennis from Flushing Meadow, New York. 11.00 Cricket: NatWest Bank Trophy Final highlights. 11.50-12.25 am US Open Tennis.

LONDON
6.55 am TV-am Breakfast Programme. 9.25 Get Fresh! 11.30 Punky Brewster. 12.00 News. 12.05 pm Saint and Greavsie. 12.30 Wrestling. 1.20 Airwolf. 2.15 Comedy Classic: The Cuckoo Waltz. 2.45 Motocycling—Shell Oil Trophy. 4.45 Results Service. 5.00 News. 5.05 Blockbusters. 5.35 The A-Team. 6.30 Blind Date. 7.15 Copy Cats. 7.45 3-2-1. 8.45 News. 9.00 Dempsey and Makepeace. 10.00 LWT News Headlines, followed by Hitchcock's "Psycho," starring Anthony Perkins, Janet Leigh and Vera Miles. 12.05 am The Making of Mona Lisa. 12.25 Bliss in Concert. 12.50 The Baron. 1.40 am Night Thoughts.

CHANNEL 4
1.15 pm Channel 4 Racing from Kempton Park. †3.05 "The Pickwick Papers," starring James Hayter, with Nigel Patrick, Lionel Murton and Kathleen Harrison. 5.05 Brookside Omnibus. 6.00 Right To Reply. 6.30 The Faiths Next Door. 7.30 News Summary, followed by A Place In The Sun. 8.30 Newhart.
9.00 The Organisation. 10.00 Hill Street Blues. 10.55 "Raging Bull," starring Robert De Niro. †1.10 pm Twilight Zone.

S4C WALES
1.15 pm Racing from Kempton. 3.00 Equinox. †4.00 Saturday Screening: "As Long As You're Healthy." †5.10 "Yankee Doodle Dandy." 7.30 Newyddion. 7.45 Talent-fau. 8.15 Rosalind a Myrddin. 8.45 Dyddie Da. 9.30 Y Maes Chwarae. 10.15 Budgie. †11.15 Feature Film: "The Public Enemy."

IBA Regions as London except at the following times:—

ANGLIA
11.30 am Jack Holborn. 12.00 Show Express. 12.30 am At The End of the Day.

BORDER
11.30 am Captain Scarlet and the Mysterons.

CENTRAL
11.30 am Telebugs. 12.00 The Alistair Maclean Thriller: "Caravan to Vaccares," starring Charlotte Rampling. 1.40 am Central Jobfinder.

CHANNEL
11.30 am Terrahawks. 11.59 Today's Weather. 12.00 Never Say Die: A Decade of Black Sabbath.

GRAMPIAN
11.30 am Fangface. 12.00 Reflections.

GRANADA
11.30 am Terrahawks. 2.15 pm Benson. 12.00 Huey Lewis and the News — The Heart of Rock 'N' Roll. 12.55 am Tales from the Darkside.

HTV
11.30 am Terrahawks. 11.58 HTV News. 12.00 James Cameron—a Director and his Work.
HTV Wales—As HTV West except: 10.00 pm Club Rugby. 10.45-12.45 am Alfred Hitchcock's "Psycho."

SCOTTISH
11.30 am Captain Scarlet and the Mysterous. 12.00 Late Call.

TSW
11.28 am Gus Honeybun's Magic Birthdays. 11.33 The Getalong Gang. 11.57 TSW News. 1.28 pm Fisheries News. 1.35 Survival. 2.05 Cartoon Time. 5.05 Newsport. 5.10 British Candid Camera. 5.40 The A-Team. 12.00 Out of Many, One Voice. 12.30 am Postscript.

TVS
11.30 am Terrahawks. 11.57 TVS Weather. 12.00 Never Say Die: A Decade of Black Sabbath. 1.00 am Company.

TYNE TEES
11.30 am Terrahawks. 12.00 Dionnne Warwick in London. 12.50 am Poetry of the People.

ULSTER
11.30 am Terrahawks. 11.58 Lunchtime News. 4.55 pm Sports Results. 5.03 Ulster News. 8.57 Ulster News. 12.00 Arcade. 12.25 am News At Bedtime.

YORKSHIRE
11.30 am Captain Scarlet and the Mysterons. 12.00 Festival Folk. 12.30-6.00 am Music Box.

BBC RADIO 2
Stereo on VHF
8.05 am David Jacobs. 10.00 Sounds of the 60s. 11.00 Album Time. 1.00 pm The Good Human Guide. 1.30 Sport on 2, including Cricket: NatWest Trophy Final (Lancashire v Sussex); Football: Arsenal v Tottenham and West Ham v Liverpool; Racing from Haydock Park; Tennis from Flushing Meadow, New York; also news of final practice for tomorrow's Italian Motor-racing Grand Prix, Golf from the European Masters in Switzerland and the latest eventing news from Burghley. 6.00 Sports Desk. 6.00 Sports Quiz Kid. 6.30 The Press Gang. 7.00 Three in a Row. 7.30 The Hastings Connection. 8.45 String Sound. 9.15 134th British Open Brass Band Championship. 10.05 Martin Kelner. 12.05 am Night Owls with Dave Gelly. 1.00 Jean Challis presents Nightride. 3.00-4.00 A Little Night Music.

BBC RADIO 3
7.00 am News. 7.05 Aubade. 9.00 News. 9.05 Record Review. 10.15-11.35 Stereo Release (continued on VHF only from 10.25). 7.30 pm Proms. BBC Scottish Symphony Orchestra conducted by Jerzy Maksymiuk—Sibelius, Mozart (live relay). 8.25 Letter from New Guinea. 8.45 Proms, part 2. John Maxwell Geddes, Mendelssohn. 9.45 The Georgics. 10.20 Othmar Schoeck. Quartet No. 2, in C Op 37. 10.55 Tubin. Symphony No. 6 (1954). 11.30 The Jazz Pianist. Charles Fox introduces the British pianists Howard Riley and Keith Tippett. 11.57-12.00 News.
VHF only—10.25 Stereo Release (continued). 11.35 Philadelphia Orchestra conducted by Riccardo Muti. 1.00 pm News. 1.05 Oboe and Keyboard. 1.45 Last Chamber Works. 2.55 The Modern Novel. 3.15 "Die Fledermaus," operetta in three acts—Libretto by Carl Haffner and Richard Genee. Music by Johan Strauss (son) (sung in German). 5.00 Jazz Record Requests. 5.45 Critics' Forum. 6.35-7.30 Ravel. Kun Woo Paik (piano).
Medium Wave only: 10.25-7.30 pm Cricket Special. NatWest Trophy Final—Lancashire v Sussex from Lord's.

BBC RADIO 4
7.00 am News. 7.10 Today's Papers. 7.15 On Your Farm. 7.45 In Perspective. 7.50 Down To Earth. 7.55 Weather; Travel. 8.00 News. 8.10 Today's Papers. 8.15 Sport on 4. 8.57 Weather; Travel. 9.00 News. 9.05 Having Fun with Goats. 9.35 A Sideways Look At . . . by Anthony Smith. 9.50 News Stand. 10.05 Conference Special. Alistair Graham, director of the Industrial Society, presents a personal view of the past week's TUC conference. 10.30 Loose Ends. 11.30 From Our Own Correspondent. 12.00 News; A Small Country Living. 12.27 pm After Henry. 12.55 Weather. 1.00 News. 1.10 Any Questions? 1.55 Shipping Forecast. 2.00 News; When Youth and Pleasure Meet. 3.30 News; Travel; International Assignment. 4.00 The Saturday Feature: The White Train. 4.45 I Should Say So. 5.00 The Living World. 5.25 Delve Special. 5.50 Shipping Forecast. 5.55 Weather; Travel. 6.00 News; Sports Round-up. 6.25 In the Psychiatrist's Chair. 7.00 Saturday-night Theatre (S). 8.30 Baker's Dozen (S). 9.30 Thriller! 9.58 Weather. 10.00 News. 10.15 Evening Service (S). 10.30 The Good Book. 11.00 Science Now—In passing. 11.30 The Million Pound Radio Show (S). 12.00-12.15 am News.

SUNDAY

† Indicates programmes in black and white

BBC 1
8.55 am Play School. 9.15 Articles of Faith. 9.30 This is the Day. 10.00 Asian Magazine. 10.30 Aristocrats. 11.20 Cameo. 11.30 Three in the Wild. 12.00 Cartoon. 12.05 pm Sign Extra. 12.35 Farming. 12.58 Weather News for farmers. 1.00 News Headlines. 1.05 Bonanza. 1.50 Tom and Jerry.
2.00 EastEnders. 3.00 Film: "Never So Few," starring Steve McQueen, Peter Lawford and Charles Bronson. 5.00 Farnborough 86. 5.55 Pet Watch. 6.25 Maggie Philbin appeals on behalf of The David Lewis Centre for Epilepsy. 6.30 News. 6.40 Songs of Praise from the South Downs. 7.15 Ever Decreasing Circles. 7.45 Howards' Way. 8.35 Only Fools and Horses. 9.05 The Monocled Mutineer. 10.20 News. 10.35 Heart of the Matter. 11.10 The 1986 Formula Open World Championship—Italian Grand Prix.

BBC 2
1.55 pm Sunday Grandstand including Motor Racing (Italian Grand Prix): Eventing (Burghley Remy Martin Horse Trials); Racing from Phoenix Park, Dublin; also scheduled, a John Player Special League match and tennis from the US Open. 6.50 Foley Square. 7.15 Henry Moore: An "Arena" Special. 8.05 The White Tribe of Africa. 8.55-12.15 am US Open Tennis from Flushing Meadow, New York: live coverage of the Men's Singles Final.

LONDON
6.55 am TV-am Breakfast Programme. 9.25 Wake Up London. 9.35 Roger Ramjet. 9.45 Sylvester. 10.00 Morning Worship from Medway, Rochester. 11.00 Getting On. 11.30 Working for a Better Life. 12.00 Fortune. 1.00 pm Police 5. 1.15 European Folk Tales. 1.30 The Smurfs. 2.00 One God . . . Three Gods. 2.30 LWT News Headlines, followed by "Genevieve" starring Kenneth More, Kay Kendall, Dinah Sheridan and John Gregson.
4.00 Athletics — Peugeot Talbot Westminster Mile. 4.30 The Campbells. 5.00 Bullseye. 5.30 Sunday Sunday. 6.30 News. 6.40 Highway. 7.15 Murder, Mystery, Suspense. 9.00 News. 9.15 West of Paradise. 11.15 LWT News Headlines, followed by Boxing (IBF Heavyweight Championship). 12.30 am Night Thoughts.

CHANNEL 4
1.05 pm Irish Angle. 1.30 Ever Thought of Sports? 2.00 Everybody Here. 2.30 Music in the Wood. 3.00 All Ireland Hurling Final. 5.00 The Wardrobe. 5.15 News Summary followed by We Also Need Fred and Bill. 6.00 The Sun's Gonna Shine. 6.15 American Football.
7.15 The Arabs. 8.15 Michelangeli Plays Beethoven. 9.00 Just a Photograph. 9.15 Country Matters. †10.15 "A Tale of Two Cities," starring Ronald Colman as Sidney Carton.

S4C WALES
2.00 pm Changing Times. 2.30 Criced. 3.15 All-Ireland Hurling Final. 5.00 Criced. 6.30 American Football. 7.20 Newyddion. 7.30 Cais am gan. 8.05 Pwy sy'n perthyn? 8.35 Byd cerdd. 9.25 A Place in the Sun. †10.25 Feature Film: "Alfie."

IBA Regions as London except at the following times:

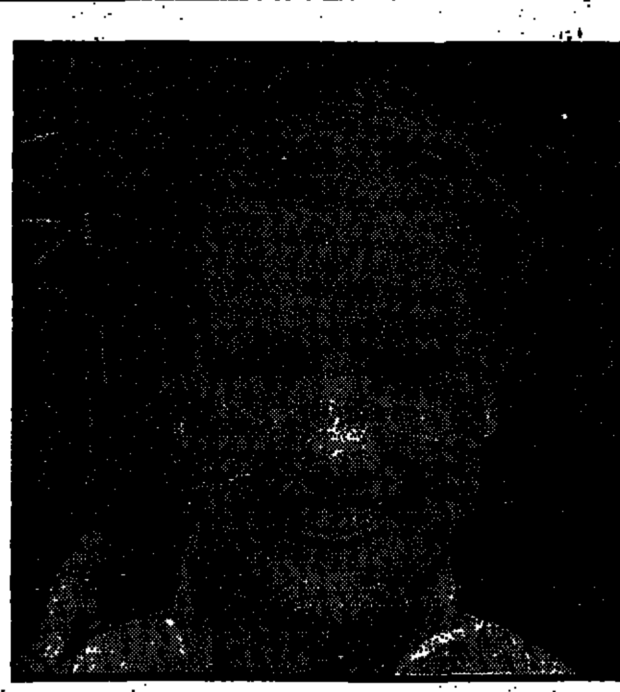
ANGLIA
9.30 am First Sunday. 1.00 pm The Beverly Hillbillies. 1.25 Weather Trends. 1.30 Farming Diary. 2.30 Sunday Cinema: "The Delphi Bureau." 5.30 Crazy Like a Fox. 12.30 am Adam's Children.

BORDER
9.25 am Gardening Time. 9.55 Border Diary. 1.00 pm Farming Outlook. 1.30 Whiskers and Wet Noses. 2.30 Matinee: "Mystery at Castle House." 5.00 The Fall Guy. 6.00 Bullseye.

CENTRAL
9.25 am Adventures of the Blue Knight. 9.35 The Incredible Hulk. 1.00 pm Gardening Time. 1.30 Here and Now. 2.30 "Mosquito Squadron," starring David McCallum. 4.30 Aliens: The Nightmare Continues. 5.00 Mind Your Language. 5.30 The Campbells. 6.00 Bullseye. 12.30 am Central Jobfinder.

CHANNEL
9.25 am Today's Weather. 9.28 Starting Point. 9.30 Les Francais Chez-Vous. 1.00 pm Smoke On Go . . . The Red Arrows. 2.30 The Sunday Matinee: Rock Hudson in "Taza Son of Cochise." 5.00 Chips. 5.55 Bullseye. 6.25 Channel News Headlines.

GRAMPIAN
9.25 am Max the 2,000 Year Old Mouse. 9.35 The Third Testament. 10.30 Perspectives. 1.00 pm Farming Outlook. 1.30 Sporting Albums. 2.30 Feature Film: "For the Love of Benji." 5.30 Scotsport. 12.30 am Reflections.



Tracey Childs in Howard's Way: BBC 1, 7.45 pm

GRANADA
9.25 am Max the 2,000 Year Old Mouse. 9.30 An Age of Miracles. 11.25 Aap Ka Hak. 11.30 Flying Start '86. 1.00 pm UFO. 12.30 Sunday Matinee: "The Big Store." 5.00 The Love Boat. 6.00 Bullseye.

HTV
9.25 am Max the 2,000 Year Old Mouse. 9.30 Roboatory. 1.00 pm HTV West Helpline. 1.30 West Country Farming, followed by Weather for Farmers. 2.30 The Sunday Matinee: "Love Lottery." 5.00 Me and My Girl. 5.30 Who's the Boss? 6.00 Bullseye. 6.36 HTV News.
HTV Wales—As HTV West except: 1.00-1.30 pm Gardening Time.

SCOTTISH
9.25 am Best Friends. 9.30 Farming Outlook. 10.00 Sunday Documentary. 10.30 One God . . . Three Gods. 11.00 Getting On. 11.30 Working for a Better Life. 1.00 pm The Glen Michael Cavalcade. 2.00 Songs of Celebration. 2.30 Sunday Afternoon Cinema: "Kidnapped," starring Michael Caine, Trevor Howard, Jack Hawkins, Donald Pleasance and Gordon Jackson. 5.30 Scotsport. 12.30 am Late Call.

TSW
9.25 am Getting On, followed by Getting On . . . Plus. 11.00 am Working For a Better Life. 11.25 Look and See. 11.30 The South West Week. 1.00 pm The Protectors. 1.30 Farming News. 2.30 The Sunday Matinee "Mosquito Squadron" starring David McCallum. 3.57 Gus Honeybun's Magic Birthdays. 4.30 Gardens for All. 5.00 Diff'rent Strokes. 5.30 The Campbells. 6.00 Bullseye. 12.30 am Postscript Postbag.

TVS
9.25 am Cartoon. 9.30 The Smurfs. 1.00 pm Smoke On Go . . . The Red Arrows. 2.30 The Sunday Matinee: "Taza, Son of Cochise." 5.00 Chips. 5.55 Bullseye. 6.25 TVS News. 12.30 am Company.

TYNE TEES
9.25 am Morning Glory. 9.35 Jack Holborn. 9.55 Sunday Lookaround. 1.00 pm Farming Outlook. 1.30 Northern Life—Sunday Edition. 2.30 "Our Girl Friday," starring Joan Collins. 3.55 Regional News. 5.00 Otherworld. 6.00 Bullseye. 12.30 am Epilogue.

ULSTER
6.25 am Cartoon Time. 9.30 The Beverly Hillbillies. 12.58 pm Lunchtime. 1.00 Gardening Time. 1.30 Farming Ulster. 1.58 Farming Weather. 2.30 The Sunday Matinee: "Attack on the Iron Coast," starring Lloyd Bridges. 5.00 The Cosby Show. 5.30 Lakeland Games. 6.00 Bullseye. 6.38 Ulster News. 9.12 Ulster News. 12.30 am Sports Results. 12.35 News At Bedtime.

YORKSHIRE
9.25 am Getting On. 11.30 Farming Diary. 1.00 pm Smoke On Go . . . The Red Arrows. 2.30 Sunday Cinema: "Where the Bullets Fly." 5.00 Fifty: Fifty. 6.00 Bullseye. 12.35-6.00 am Music Box.

Stereo on VHF

BBC RADIO 2
7.30 am Dana says Good Morning Sunday. 9.05 Melodies For You. 11.00 John and Judith's Quayside Special. 1.00 pm A Musical Blockbuster from the Opera House, St Helier, Jersey. 2.00 Stuart Hall's Sunday Sport (Medium Wave only). 2.00 Benny Green. 3.00 Alan Dell with Sounds Easy. 4.00 Vilem Tausky conducts the Langham Orchestra. 4.30 Sing Something Simple. 6.30 Charlie Chester with your Sunday Soapbox. 7.35 Grand Hotel direct from The Grand Hotel, Birmingham. 8.30 Where Do You Go? 9.00 Your Hundred Best Tunes. 10.05 Songs from the Shows. 10.30 The Gospel Truth. 11.00 Sounds of Jazz with Peter Clayton. 1.00 am Jean Challis presents Nightride. 3.00-4.00 A Little Night Music.

BBC RADIO 4
7.00 am News. 7.05 Vivaldi's Venice. 8.00 Edwin Fischer. 9.00 News. 9.05 Your Concert Choice. 10.45 Prom Talk. 11.15 Andras Schiff (piano) Beethoven, Bartok (12.00 Interval Reading). 12.05 pm Bachs. 12.40 BBC Philharmonic Orchestra conducted by Janos Furst—Edith Volckaert, Berlioz, Saint-Saens, Dvorak. 1.50 Bull Virginal Music. 2.25 Syrinx: Debussy, Francaix, Ibert, Pierne. 3.20 Northern Sinfonia. Josef Myslivecek, Mozart, Haydn. 4.15 Schubert: "Die Schone Mullerin," (Song-cycle to poems by Wilhelm Muller). 5.30 The Harlequin Years. 6.55 Mozart and David Matthews. 7.30 Your True Friends. 7.30 Proms 86. BBC Symphony Orchestra conducted by Marek Janowski, part 1—Verdi (live relay). 8.10 The Living Poet. 8.20 Proms, part 2—Mahler's Symphony No 5. 9.50 "The Devil's Beatitude" (play by Conor Farrington). 10.10 Music for Viola. 11.00 Benny Goodman: The Classical Recordings. 11.57-12.00 News.

BBC RADIO 3
8.00 am News. 8.10 Sunday Papers. 8.15 Sunday. 8.50 Bobby Robson talks, for the Week's Good Cause, about the Charles Palmer Trust. 8.55 Weather; Travel. 9.00 News. 9.10 Sunday Papers. 9.15 Letter From America by Alistair Cooke. 9.30 Morning Service from St Francis' Church, Handsworth, Birmingham. 10.15 The Archers (Omnibus edition). 11.15 Pick Of The Week (S). 12.55 Weather. 1.00 The World This Weekend. 1.55 Shipping Forecast. 2.00 News; Pienick. 2.30 Globe Theatre (S). 4.00 News; Origins. 4.30 The Natural History Programme.
5.00 pm News Travel. 5.05 Down Your Way visits Bridgwater in Somerset. 5.50 Shipping Forecast. 5.55 Weather. 6.00 News. 6.15 Weekend Woman's Hour. 7.00 Nostromo by Joseph Conrad (S). 8.00 A Good Read. 8.30 The Maestro (S). 9.00 News; Rambles in Ireland. 9.30 "The Other Thief" (Stereo/Binaural) play by Robin Bell. 9.55 Weather; Travel. 10.00 News. 10.15 The Sunday Feature. 11.00 Before The Ending of the Day (S). 11.15 Music From The People (S). 11.45 Eye Witness. 12.00-12.15 am News.